SAN FRANCISCO PUBLIC LIBRARY
3 1223 03473 4609

5/S

San Francisco Public Library

Government Information Center
San Francisco Public Library
100 Larkin Street, 5th Floor
San Francisco, CA 94102

REFERENCE BOOK

Not to be taken from the Library

Digitized by the Internet Archive
in 2017 with funding from
Kahle/Austin Foundation

https://archive.org/details/minutesretireme2004sanf_1

MINUTES

RETIREMENT BOARD

CITY AND COUNTY OF SAN FRANCISCO

30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is dedicated to securing, protecting and prudently investing the pension trust assets, administering mandated benefit programs, and providing promised benefits.

Tuesday, January 13, 2004
8:30 AM

DOCUMENTS DEPT.

FEB 13 2004

SAN FRANCISCO
PUBLIC LIBRARY

Roll Call:

Retirement Board
Present: E. David Ellington, President
Joseph Driscoll, Vice-President
William Breall, Commissioner
Al Casciato, Commissioner
Herb Meiberger, Commissioner
Brenda Wright, Commissioner

Absent: Gerado Sandoval, Commissioner

Retirement System:
Present: Clare M. Murphy, Executive Director of the Retirement System

PUBLIC COMMENT

Members of the public shall have an opportunity to address the Retirement Board on items of interest to the public that are within the subject matter jurisdiction of the Retirement Board, including items being considered today. Members of the public may address the Retirement Board at the beginning of the meeting or when the subject of their interest on today's agenda is being considered. Members of the public may address the Retirement Board for up to five minutes. The President of the Retirement Board may limit the total testimony to 30 minutes.

President Ellington reviewed the Public Comment procedures for the attendees.

Lois Black, a member, explained that she reviewed the San Francisco City Employees' Retirement System's Annual Report as of June 30, 2003. She asked the Retirement Board to review the comparison of employer pension contribution as it relates to miscellaneous and uniformed (safety) employees. She felt that there was a disparity in the pension contributions made by safety members and felt that the uniformed employer contribution should be commensurate with the percentage that the uniformed retirees receive. She queried that perhaps the uniformed member retirement funds should be segregated from miscellaneous member funds to correct this disparity.

REGULAR CALENDAR

1. Review of Report on Actuarial Valuation Based on 07/01/03 Data

Clare Murphy, Executive Director, Leslie Finertie and Tom Matthews, representing Towers Perrin presented a written and oral report on this item.

The Board reviewed and discussed the Actuarial Valuation and engaged in a question and answer session.

This was informational item only, no action was taken.

Note for the Record: It was moved by Commissioner Casciato, seconded by Breall, to consider **Items 2, 3 and 4** together.

Ayes: Breall, Casciato, Driscoll, Ellington, Meiberger, Wright
Absent: Sandoval

2. Approval of Economic Assumptions
3. Recommendation to Approve City Retirement Contributions Rates for Fiscal Year 2004-2005
4. Determination and Approval of Credited Interest Rate for Fiscal Year 2004-2005

Clare Murphy, Executive Director, Leslie Finertie and Tom Matthews, representing Towers Perrin presented a written and oral report on this item.

The Board reviewed and discussed the economic assumptions and proposed retirement contribution rates and engaged in a question and answer session relating to salary assumptions, inflation issues, the costs associated with Memoranda of Understanding, buyback opportunities, contribution volatility, etc.

Lois Black, a member, described the process by which an uniformed member buys back miscellaneous service time. She noted that it was often quite financially beneficial to the safety member to purchase prior miscellaneous service.

Ben Rosenfeld, representing the Mayor's Office, respectfully requested that the Board continue Items 2, 3 and 4 as Mayor Gavin Newsom had assumed office on Thursday, January 8, 2004 and was still being briefed on the impact of the State budget as well as the CCSF budget and implications for these new rates.

The Board then discussed the merits of deferring action on this matter and considered a new meeting date.

Action: It was moved by Commissioner Breall, seconded by Commissioner Casciato, to schedule a Special Meeting of the Retirement Board on Wednesday, January 28, 2004 at 8:30 am to consider:

- Approval of Economic Assumptions
- Recommendation to Approve City Retirement Contributions Rates for Fiscal Year 2004-2005
- Determination and Approval of Credited Interest Rate for Fiscal Year 2004-2005

Ayes: Breall, Casciato, Driscoll, Ellington, Meiberger, Wright
Absent: Sandoval

3 1223 03473 4609

5. **Minutes of the December 9, 2003 Board Meetings**

Action: It was moved by Commissioner Casciato, seconded by Commissioner Breall, to approve the minutes of the December 9, 2003 Board Meeting as amended.

Approved by the following vote:
Ayes: Breall, Casciato, Driscoll, Ellington, Meiberger, Wright
Absent: Sandoval

6. **Old and Ongoing Business List**

Shauna Rose, Executive Assistant, presented a written and oral report on this item.

Action: It was moved by Commissioner Breall, seconded by Commissioner Wright, to approve the Old and Ongoing Business List as presented.

Approved by the following vote:
Ayes: Breall, Casciato, Driscoll, Ellington, Meiberger, Wright
Absent: Sandoval

7. **Semi Annual Review of the Disability Application Process**

Shauna Rose, Executive Assistant, presented a written and oral report on this item.

The Board reviewed the Disability Application Process and engaged in a question and answer session.

This was an informational item only, no action taken.

8. **Finance Committee's Report on the Preliminary Review of the Budget for Fiscal Year 2004-05 for the San Francisco City Employees' Retirement System**

Deputy Director for Administration, Jay Huish gave an oral update on the Finance Committee's meeting. He highlighted the issues raised by Committee members and staff's responses to those matters. He explained that the retirement Board is slated to vote on this matter at its February 10, 2004 meeting.

Members of the Finance Committee gave their comments on specific budgetary items.

This was an informational item only, no action taken.

9. **Amendment to Board Resolution No. 44 – Delegation of Authority for Cash Transfers and Payments**

Action: It was moved by Commissioner Breall, seconded by Commissioner Wright, to amend Board Resolution No. 44, to add Jim Burruel, Finance Manager, as an authorized Officer for Cash Transfers and Payments.

Approved by the following vote:
Ayes: Breall, Casciato, Driscoll, Ellington, Meiberger, Wright
Absent: Sandoval

10. CONSENT CALENDAR

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

10a. Voluntary Retirement Board List No. 7-03

10b. Decision of Hearing Officers

Vincent O. Berry Effective Date: 01/04/03	9132 Transit Fare Inspector – Muni	Ordinary Disability Retirement Granted
Artemus Briscoe Effective Date: 10/31/03	2587 Health Worker III – DPH	Ordinary Disability Retirement Granted
James L. Favero Effective Date: 04/20/03	H-2 Firefighter – Fire Dept.	Industrial Disability Retirement/Stip Granted
Sally S. Fernandez Effective Date: 06/30/01	3616 Library Technician – Library	Ordinary Disability Retirement Granted
Kerry L. Gilett Effective Date: 05/11/02	500C Court Reporter – Trial Courts	Ordinary Disability Retirement / Vest. Denied
Diane R. Hodges Effective Date: 02/01/03	2302 Certified Nursing Asst. – DPH	Ordinary Disability Retirement/Stip Granted
Joy B. Jones Effective Date: 12/01/02	1204 Sr. Personnel Clerk – Muni	Ordinary Disability Retirement Granted
Alberto Martinez Effective Date: 09/03/03	2593 Health Prog. Coordinator – DPH	Ordinary Disability Retirement Granted
Robert McBriarty Effective Date: 12/18/99	7379 Electrical Mechanic – Muni	Ordinary Disability Retirement / Vest. Denied
Jefferson W. Ng (Decd.) Rose Ng (Spouse) Effective Date: 04/29/00	Airport Police Officer – Airport	Death as a Result of Duty Granted
Andrea C. Olcomendy Effective Date: 07/26/03	Inspector – Police Dept.	Death as a Result of Duty Granted
Walter C. Scott Effective Date: 01/11/03	Q-4 Police Officer III – Police Dept.	Industrial Disability Retirement/Stip Denied
Augusto R. Velasco Effective Date: 01/01/03	7381 Automotive Mechanic – Muni	Ordinary Disability Retirement Granted
David Wong Effective Date: 12/20/03	9150 Train Controller – Muni	Ordinary Disability Retirement Granted

10c. Petition for Rehearing

Thomas Mandelke (Decd.) Cherel Mandelke (Spouse) Effective Date: 04/14/98	Q-2 Police Officer – Police Dept.	Death as Result of Duty Denied

10d. Approval of Request for Travel for Gerardo Sandoval, Commissioner, to travel to Miami, FL on January 20-23, 2004 for the GAIM 2004 Conference

10e. Approval of Request for Travel for Herb Meiberger, Commissioner, to travel to Pasadena, CA on January 27-30, 2004 for the Pacific Pension Institute Winter Roundtable

10f. Approval of Request for Travel for Al Casciato, Commissioner, to travel to Palm Springs, CA on February 5-7, 2004 for the RREEF 12th Annual Client Educational Seminar

10g. Approval of Request for Travel for Herb Meiberger, Commissioner, and other Commissioners to travel to San Diego, CA on February 6, 2004 for the CALAPRS Trustees' Roundtable

10h. Approval of Request for Travel for Brenda Wright, Commissioner, to travel to New Orleans, LA on February 18-20, 2004 for the COLTFEST Conference

10i. Approval of Request for Travel for Al Casciato, Commissioner, to travel to Phoenix, AZ on March 14-17, 2004 for the Public Funds Summit Conference

Action: It was moved by Commissioner Breall, seconded by Commissioner Casciato, to approve the Consent Calendar as presented.

Approved by the following vote:
Ayes: Breall, Casciato, Driscoll, Ellington, Meiberger, Wright
Absent: Sandoval

11. Adopt Proposed Decision of the Administrative Law Judge, Denying John Parker's Request to Backdate His Date of Retirement.

Vince Courtney, representing Mr. Parker, gave a lengthy presentation on Mr. Parker's employment history, his retirement counseling with the San Francisco City Employees Retirement System and the errors or misjudgment made by both Mr. Parker, his former attorney, and the City and County of San Francisco.

David Benjamin, Deputy City Attorney, outlined the factual issues relating to the disability hearing for Mr. Parker, the Retirement System witnesses who appeared at the hearing and the reasons the Administrative Law Judge's decision should be upheld.

Commissioner Breall posed several questions to Mr. Parker relating to his medical history and medication prescribed for his pain.

Action: It was moved by Commissioner Casciato, seconded by Commissioner Breall, to overturn the decision of the Administrative Law Judge and to change the retirement date of Mr. Parker.

Approved by the following vote:
Ayes Breall, Casciato, Ellington, Meiberger, Wright
Noes Driscoll
Absent: Sandoval

12. Approval to Change the Tuesday, March 9, 2004 Retirement Board Meeting Date to Wednesday, March 10, 2004.

Action: It was moved by Commissioner Breall, seconded by Commissioner Meiberger to change the Tuesday, March 9, 2004 Retirement Board Meeting Date to Wednesday, March 10, 2004.

Approved by the following vote:
Ayes: Breall, Casciato, Driscoll, Ellington, Meiberger, Wright
Absent: Sandoval

13. Executive Director's Report

Executive Director, Clare Murphy, informed the Retirement Board that President Ellington and Commissioner Breall would not be able to attend the February 10, 2004 Retirement Board meeting.

Ms. Murphy explained that staff continues to work with the Payroll Division of the SFUSD and that, although some progress has been made, there are a number of payrolls that remain outstanding.

Ms. Murphy reported that the Memoranda of Understanding for the "chief" ranks in the Police and Fire Departments are in the process of being approved by the Board of Supervisors. Therefore, staff has not paid the Cost of Living Adjustments (COLA) increases for retired chiefs, however, based on the Memoranda of Understanding received by SFERS, it has been determined that only a .5% cost of living adjustment will be necessary for them.

Ms. Murphy reported that the Supreme Court has determined not to accept a request for review of the Court of Appeals decision in the matter of Mason v. CCSF, the lawsuit relating to terminal pay. Therefore, lawyers in the Adams lawsuit, a related case, have agreed to remove the question of terminal pay, in lieu sick pay, vacation and other payments that occur after retirement have been dropped from its lawsuit.

Ms. Murphy explained that Supervisor Gerardo Sandoval introduced a Charter Amendment to improve the miscellaneous plan retirement benefits to provide 3% at 60. The Amendment also has an either/or provision to take the early retirement provision or the 3+3 provision. Ms. Murphy has raised questions with the City Attorney that will need to be clarified. The Charter Amendment must be introduced by the Board of Supervisors by mid May. Ms Murphy agreed to furnish the legislation to Retirement Board members when it was finalized.

Ms. Murphy said that during last year's budget discussion, the Retirement Board determined that SFERS would conduct an actuarial audit. She asked the Board to authorize her to ask the seven actuary firms who responded to the Consulting Actuary Request for Proposal, with the exception of

the successful bidder, to provide a statement of what actuarial audit effort they would produce for our plan. She will submit a report of the responses at the March 2004 meeting.

Ms. Murphy referenced the future Committee meetings:

- 1/20/04: Governance (8:30 am) and Personnel (11:00 am)
- 2/17/04: Public Investment (8:30 am) and Alternative Investment (11:00 am)

President Ellington asked that, in his absence, Supervisor Sandoval participate in the Alternative Investment meeting and that Commissioner Casciato participate in the Public Investment meeting.

Ms. Murphy provided a list of educational opportunities for Board members. If any Board member is interested in attending any of these events, they should contact her office.

INVESTMENT CALENDAR

14. Approval of the Recommendation of International Equity Sub-Asset Class Allocations

David Kushner, Deputy Director for Investments, and Leslie Kautz of Angeles Investment Advisors, presented a written and oral report to the Board on the item relating to the International Equity Sub-Asset Class Allocations.

The Board reviewed and discussed the report and engaged in a question and answer session.

Action: It was moved by Commissioner Driscoll, seconded by Commissioner Casciato, to refer this matter to the Pubic Investment Committee for further review and evaluation.

Approved by the following vote:
Ayes: Breall, Casciato, Driscoll, Ellington, Meiberger, Wright
Absent: Sandoval

15. Approval of the Recommendation to Revise Investment Guidelines for W.R. Huff Asset Management

David Kushner, Deputy Director for Investments, and Leslie Kautz of Angeles Investment Advisors, presented a written and oral report to the Board on the item relating to the recommendation to revise Investment Guidelines for W.R. Huff Asset Management.

The Board reviewed and discussed the report and engaged in a question and answer session.

Action: It was moved by Commissioner Driscoll, seconded by Commissioner Casciato to revise the Investment Guidelines for W.R. Huff Asset Management.

Approved by the following vote:
Ayes: Breall, Casciato, Driscoll, Ellington, Meiberger, Wright
Absent: Sandoval

16. Approval to Commit up to $10 Million to Texas Pacific Group (TPG) IV

David Kushner, Deputy Director for Investments, presented a written and oral report to the Board on this item.

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Driscoll, to commit up to $10Million to Texas Pacific Group (TPG) IV

Approved by the following vote
Ayes Breall, Casciato, Driscoll, Ellington, Meiberger, Wright
Absent Sandoval

17. Approval of Recommendation to Terminate Credit Suisse Asset Management and to Retain Mazama Capital Management as Domestic Small/Mid Cap Growth Equity Manager

David Kushner, Deputy Director for Investments, and Leslie Kautz of Angeles Investment Advisors, presented a written and oral report to the Board on the item relating to Brokerage Commissions Generated by the Retirement Fund for the Quarter ending 9/30/03.

The Board reviewed and discussed the report and engaged in a question and answer session.

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Driscoll, to Terminate Credit Suisse Asset Management and to Retain Mazama Capital Management as Domestic Small/Mid Cap Growth Equity Manager

Approved by the following vote:
Ayes: Breall, Casciato, Driscoll, Ellington, Meiberger, Wright
Absent: Sandoval

18. Deputy Director for Investments Report

David Kushner, Deputy Director for Investments, reported that as of December 31, 2003 the Fund was valued at approximately $11.7 billion dollars. Mr. Kushner provided the Board with reports detailing movements within sub-asset classes for the month and quarter ended December 31, 2003.

Mr. Kushner outlined the exceptions to approved Asset Allocation policy. These exceptions include a small underweight in Real Estate, where staff continues to search for attractive investment opportunities, and underweight in the Aggressive EAFE sub-asset class within International Equity, where staff and Consultant are in the process of reevaluating the existing allocation structure. Additionally, Mr. Kushner reported that cash positions are within bounds set by the Board.

Mr. Kushner further reported that Staff has received an offer of approximately $1.3 million to purchase the property secured by the defaulted Lordhill mortgage.

Mr. Kushner also noted that Pantheon, a private equity fund of funds manager with whom the Retirement System currently has investments, has agreed to be acquired by Russell Investment Group. It is anticipated there will be no changes in the Pantheon management as a result of this acquisition.

Finally, Mr. Kushner provided the Board with an article related to issues of public disclosure of private equity data, and an article regarding failure on the part of investors to claim their share of settlements from class action lawsuits. He informed the Board that SFERS makes timely claims through the Fund's Custodian (Northern Trust) for all settlements for which SFERS is a member of the class.

11:55 am to 12:05 pm The Retirement Board Recessed

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

19. Approval of the Recommendation to Discontinue to Defer a Portion of Accumulated Lump-Sum Payments from the San Francisco Deferred Compensation (457) Plan

Carol Cypert, Deferred Compensation Manager, presented a written and oral report to the Board to support the recommendation to stop deferrals of lump-sum payments of vacation and sick pay into the 457 Deferred Compensation Plan. This discontinuance of deferrals will be effective February 2, 2004.

The Board reviewed and discussed the report and engaged in a question and answer session.

Action: It was moved by Commissioner Wright, seconded by Commissioner Driscoll, to discontinue deferral of a portion of accumulated lump-sum payments from the San Francisco Deferred Compensation (457) Plan.

Approved by the following vote:
Ayes: Breall, Casciato, Driscoll, Ellington, Meiberger, Wright
Absent: Sandoval

20. Deferred Compensation Manager Report

Carol Cypert, Deferred Compensation Manager Report, discussed the following items:

- Contractual agreements with ING have been signed and will take effect January 29, 2004.
- Mailing to all plan participants regarding the termination of five (5) funds were sent on December 29, 2003. Volume of calls received by ING to date totaled 725, members who walked in to ING for information totaled 35, 50 Self-Directed Brokerage packages were mailed by ING, and 40 calls were received by the Retirement System. Additionally meetings will be conducted by ING regarding these changes January 20, 2004 to January 30, 2004 throughout the City.
- December 31, 2003 Statements will contain a message to all participants regarding the Discontinuance of Lump-Sum Deferrals. The message will read "The IRS recently issued final Treasury Regulations that provide further guidance on eligible 457(b) Deferred Compensation Plans. Due to the final regulations, participants can not exercise the option to defer a portion of accumulated lump-sum payments to the City and County of San Francisco 457 Deferred Compensation Plan. This change will take effect February 2, 2004."
- A report from ING was provided for board review regarding core investment funds that were placed on formal "Watch List" to comply with the Investment Policy Statement.
- A monthly activity report from ING was provided for review. Ms. Cypert reported that total assets in the plan are over one billion dollars as of January 12, 2004.

21. Board Member's Report

Commissioner Casciato asked his fellow Board members to complete and return the questionnaire that was sent to them recently. He also noted that Brandes Investment Advisors had voted proxies opposed by Labor.

22. CLOSED SESSION

Action: It was moved by Commissioner Breall, seconded by Commissioner Casciato, to convene in Closed Session to discuss the WorldCom Litigation: California Public Funds in the Individual Coordinated WorldCom Action, pursuant to Subdivision (a) of Government Code §54956.9, Administrative Code §67 10.

Approved by the following vote:
Ayes: Breall, Casciato, Driscoll, Ellington, Meiberger, Wright
Absent: Sandoval

Note for the Record: 12:10 pm to 12:18 pm the Retirement Board convened in Closed Session

Action: It was moved by Commissioner Breall, seconded by Commissioner Meiberger, to not disclose any discussions held in Closed Session, pursuant to San Francisco Administrative Code Section 67.12(a).

Approved by the following vote:
Ayes: Breall, Casciato, Driscoll, Ellington, Meiberger, Wright
Absent: Sandoval

Dan Maguire, Deputy City Attorney, reported that the Retirement Board met in Closed Session to hear a City Attorney report and provided the Deputy City Attorney direction.

23. Adjournment

There being no further business, the Board adjourned its meeting at 12:20 p.m.

Respectfully submitted,

Clare M. Murphy
Executive Director

Please Note: The minutes of this meeting set forth actions taken by the Retirement Board on the matters stated but not necessarily in the chronological sequence in which the matters were considered.

January 13, 2004

To: CCSF Employees' Retirement System
Retirement Board Members

From: Lois S. Black, Member of Retirement System

Re: Retirement System Annual Report as of June 30, 2003

Upon examination of the most recent Annual Report and in anticipation of the Retirement Board voting to ask the City to once again pay the ***employer*** portion of the pension contribution; I am formally requesting that the Board members pay special attention to the following information that has been extrapolated from the Annual Report.

Comparisons from Annual Report	MISCELLANEOUS	UNIFORM
Page 27 - Retirement Allowances And Continuation Payments (Total = 18,135)	**80%** (14,389)	**20%** (3,746)
Page 27 - Monthly Benefits Payable as of June 30, 2003 (Total = $38,124,769)	**62%** ($23,544,431)	**38%** ($14,580,338)
Page 33 - Employee Contributions For Fiscal Year 2002/2003 (Total = $182,069,864)	**85%** ($156,350,260)	**15%** ($25,719,604)
Page 21 - Active Members as of June 30, 2003 (Total = 34,158)	**88%** (30,024)	**12%** (4,134)

Due to the fact that Uniform members comprise 12% of the Active workforce and apparently make 15% of the employee contributions perhaps the Uniform ***employer*** portion should be commensurate with the percentage that the Uniform retirees receive.

How is it that the Uniform retirees collect 38% of the benefits but make up only 20% of the retirees and the Uniform actives only contribute 15% towards their retirement?

I suggest if the Retirement Board requests ***employer*** contributions from the City as of July 1, 2004; perhaps the Board could take into account the above mentioned disparity and request a greater employer contribution for the Uniform members of the Retirement System. Lastly, should the Uniform retirement funds be segregated in order to correct this disparity?

MINUTES

RETIREMENT BOARD

CITY AND COUNTY OF SAN FRANCISCO

30 Van Ness Avenue, Suite 3000

San Francisco, CA 94102

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is dedicated to securing, protecting and prudently investing the pension trust assets, administering mandated benefit programs, and providing promised benefits.

Wednesday, January 28, 2004
Special Meeting
8:30 AM

DOCUMENTS DEPT.

FEB 13 2004

SAN FRANCISCO
PUBLIC LIBRARY

Roll Call:

Retirement Board

Present: Joseph Driscoll, Vice-President
William Breall, Commissioner
Al Casciato, Commissioner
Gerado Sandoval, Commissioner
Brenda Wright, Commissioner

Absent: E. David Ellington, President
Herb Meiberger, Commissioner

Retirement System:

Present: Clare M. Murphy, Executive Director of the Retirement System

PUBLIC COMMENT

Members of the public shall have an opportunity to address the Retirement Board on items of interest to the public that are within the subject matter jurisdiction of the Retirement Board, including items being considered today. Members of the public may address the Retirement Board at the beginning of the meeting or when the subject of their interest on today's agenda is being considered. Members of the public may address the Retirement Board for up to five minutes. The President of the Retirement Board may limit the total testimony to 30 minutes.

Vice President Driscoll reviewed the Public Comment procedures for the attendees.

Richard Rothman, representing Local 790, found the Retirement System's web page very difficult. He referenced the Retirement System's Business Plan, which states that it will be a year before City employees can access the SFERS web page in order to calculate their expected retirement benefit. It was his hope that this retirement calculation program could be expedited and in place sooner or earlier. He noted that other public pension plans have generic formulas available on their web page.

REGULAR CALENDAR

1. Approval of Economic Assumptions

Clare Murphy, Executive Director, together with Leslie Finertie and Tom Matthews representing Towers Perrin, presented a written and oral report on this item.

The Board reviewed and discussed the economic assumptions, and engaged in a lengthy discussion.

In response to Commissioner Wright's, question, Clare Murphy, Executive Director, discussed the impacts of delaying a decision. She reminded the Board of its mandate, its responsibility, on behalf of the participants, to set the City contribution rates.

Commissioner Sandoval queried Ms. Finertie regarding many components of their report including wage inflation, price inflation, investment yield and the form of statistical measurement used in preparation of the valuation.

In response to Commissioner Sandoval's question, Deputy City Attorney Dan Maguire explained that there is no requirement in the Charter that the Retirement Board determine the City retirement contribution rate by a specific date.

Ben Rosenfield, representing the Mayor's Office, explained that $50 million of the required $95 million Employer contribution would come from the City's General Fund; the balance would be paid from Special Funds. He further explained that the Towers Perrin report references long-term and short-term economic assumptions, and if the Board members felt it was appropriate they could adopt a short term change within the long term assumptions that would reflect the City's inability to provide wage increases at this time. He said the difference of a 4% wage inflation versus 4.5% is significant to the City's budget deficit. He further explained that in six weeks, the City's Controller will have completed the updated revenue projection, as well as the 3-year budget projection, and that negotiations just began with the 38 labor organizations. In six weeks, the Board could make its determination on known data, the real wage inflation number.

Dean Coate, representing Local 21, said that the employees want to see the City in the best situation and do not want the City budget to worsen as it affects salaries. They wanted the contribution as low as reasonable and not want higher than necessary. He also asked if Towers Perrin consulted with the City on the economic prospects for the salary assumptions and what components of the future were considered in preparation of the valuation.

Vice President Driscoll pointed out that every year the Retirement Board reviews the economic assumptions and uses past year's information as part of the process of smoothing. One cannot prove an assumption as being correct until it really happens.

9:50 am to 10:00 am – the Retirement Board recessed.

Commissioner Breall said that everything discussed at the meeting speaks to a short-term fix, which is not for the betterment of the City, nor to the Retirement System. He said the Board must look at the long-term outlook, and a short-term fix would make it more difficult in following years.

Vice President Driscoll noted that there is both the perception of duty and the perception of honor. Members are trying to retire and other members are trying to retain their job. If the City has some information that might cause the consulting actuary to change the assumption, and if it could be done within thirty days, then there might be a reason for the Board to defer making a decision.

Commissioner Casciato felt it important to approve the economic assumptions as presented with a stipulation that should known budgetary-real wage increase information be provided within thirty days, then the short-term assumptions could be revised to reflect the new data.

Action: It was moved by Commissioner Breall, seconded by Commissioner Casciato, to approve the Economic Assumptions as outlined in the Towers Perrin Actuarial Valuation.

Ayes: Breall, Casciato, Driscoll, Sandoval, Wright
Absent: Ellington, Meiberger

Action: It was moved by Commissioner Breall, seconded by Commissioner Casciato, to approve the recommendation of a Credited Interest Rate of 5% for Fiscal Year 2004-2005.

Ayes: Breall, Casciato, Driscoll, Sandoval, Wright
Absent: Ellington, Meiberger

Action: It was moved by Commissioner Casciato, seconded by Commissioner Breall, to refer the following items to a Special Meeting of the Retirement Board to be held on Friday, February 27, 2004, 8:30 am:

- Recommendation to Approve City Retirement Contributions Rates for Fiscal Year 2004-2005

There being no further business, the Board adjourned its meeting at 11:15 a.m.

Respectfully submitted,

Clare M. Murphy
Executive Director

Please Note: The minutes of this meeting set forth actions taken by the Retirement Board on the matters stated but not necessarily in the chronological sequence in which the matters were considered.

MINUTES

RETIREMENT BOARD

CITY AND COUNTY OF SAN FRANCISCO

30 Van Ness Avenue, Suite 3000

San Francisco, CA 94102

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is dedicated to securing, protecting and prudently investing the pension trust assets, administering mandated benefit programs, and providing promised benefits.

Tuesday, February 10, 2004
8:35 AM

DOCUMENTS DEPT.

MAR 17 2004

SAN FRANCISCO
PUBLIC LIBRARY

Roll Call:

Retirement Board

Present:	Joseph Driscoll, Vice-President	
	Al Casciato, Commissioner	
	Herb Meiberger, Commissioner	
	Gerardo Sandoval, Commissioner	(noted present at 8:50 am)
	Brenda Wright, Commissioner	(noted present at 8:50 am)
Absent:	William Breall, Commissioner	
	E. David Ellington, President	

Retirement System:
Present: Clare M. Murphy, Executive Director of the Retirement System

PUBLIC COMMENT

Members of the public shall have an opportunity to address the Retirement Board on items of interest to the public that are within the subject matter jurisdiction of the Retirement Board, including items being considered today. Members of the public may address the Retirement Board at the beginning of the meeting or when the subject of their interest on today's agenda is being considered. Members of the public may address the Retirement Board for up to five minutes. The President of the Retirement Board may limit the total testimony to 30 minutes.

Vice President Driscoll reviewed the Public Comment procedures for the attendees.

No Public Comment was offered.

REGULAR CALENDAR

1. **Minutes of the January 13, 2004 Board Meeting**
   Action: It was moved by Commissioner Meiberger, seconded by Commissioner Wright, to approve the minutes of the January 13, 2004 Board Meeting as presented.

   Approved by the following vote:
   Ayes: Casciato, Driscoll, Meiberger, Sandoval, Wright
   Absent: Breall, Ellington

Action: It was moved by Commissioner Sandoval seconded by Commissioner Wright, to recuse Commissioner Meiberger from voting on the minutes of the January 28, 2004 Special Board Meeting.

Approved by the following vote:
Ayes: Casciato, Driscoll, Sandoval, Wright
Abstain: Meiberger
Absent: Breall, Ellington

Minutes of the January 28, 2004 Special Board Meeting

Action: It was moved by Commissioner Casciato, seconded by Commissioner Wright, to approve the minutes of the January 28, 2004 Special Board Meeting as presented.

Approved by the following vote:
Ayes: Casciato, Driscoll, Sandoval, Wright
Abstain: Meiberger
Absent: Breall, Ellington

2. Old and Ongoing Business List

Shauna Rose, Executive Assistant, presented a written and oral report on this item.

Action: It was moved by Commissioner Casciato, seconded by Commissioner Meiberger, to approve the Old and Ongoing Business List as amended.

Approved by the following vote:
Ayes: Casciato, Driscoll, Meiberger, Sandoval, Wright
Absent: Breall, Ellington

3. Approval of the Budget for Fiscal Year 2004-05 for the San Francisco City Employees' Retirement System

Commissioner Driscoll asked Commissioner Casciato to chair this item.

Jay Huish, Deputy Director, presented a written and oral report on this item.

The Board reviewed and discussed the report and engaged in a lengthy question and answer session.

Commissioner Driscoll made a motion to remove the Pacific Pension Institute Membership from the Budget submission. Commissioner Wright seconded this motion.

The Board discussed the merits of membership organizations and the value they added to the Retirement System, the assessment of the cost of these memberships and whether all the SFERS' memberships should be reviewed.

Commissioner Meiberger clarified the point that he had received a written opinion from the City Attorney in response to his question whether it was a conflict for him to vote on a budget, which includes his position and salary. The City Attorney advised that there was no conflict.

Commissioner Driscoll's motion failed to pass by the following vote:

Ayes: Driscoll, Wright
Noes: Casciato, Meiberger, Sandoval
Absent: Breall, Ellington

Action: It was moved by Commissioner Wright, seconded by Commissioner Casciato, to approve the Budget proposed for Fiscal Year 2004-05 for the San Francisco City Employees' Retirement System

Approved by the following vote:
Ayes: Casciato, Driscoll, Meiberger, Sandoval, Wright
Absent: Breall, Ellington

4. **Review of Statement of Economic Interest Form 700 for the Year 2003**
Shauna Rose, Executive Assistant, presented a written and oral report on this item.

This was an informational item only, no action taken.

5. **Retirement System Travel Expense Report for the Period Ending December 31, 2003**
Clare Murphy, Executive Director, presented a written and oral report on this item.

This was an informational item only, no action taken.

6. **Governance Committee Report**
Report on January 20, 2004 Governance Committee meeting:
- 2002 Governance Report
- Report on the 2002 Board Development Process

Commissioner Wright, Chair of the Governance Committee, presented an oral report on this item.

- Approval of Terms of Reference for the Executive Director

Action: It was moved by Commissioner Wright, seconded by Commissioner Casciato, to approve the Terms of Reference for the Executive Director.

Approved by the following vote:
Ayes: Casciato, Driscoll, Meiberger, Sandoval, Wright
Absent: Breall, Ellington

7. **Personnel Committee Report**
Report on January 20, 2004 Personnel Committee meeting:

Commissioner Casciato, Chair of the Personnel Committee, presented an oral report on this item. He explained the Personnel Committee would meet on February 18, 2004 and interview two candidates for the position of Actuary and make a recommendation to the Retirement Board at the March meeting.

This was an informational item only, no action taken.

8. CONSENT CALENDAR

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

Action: It was moved by Commissioner Casciato, seconded by Commissioner Wright,, to approve the Consent Calendar as presented.

Approved by the following vote:
Ayes: Casciato, Driscoll, Meiberger, Sandoval, Wright
Absent: Breall, Ellington

8a. Voluntary Retirement Board List No. 8-03

8b. Decision of Hearing Officers

Sharon Bissell Effective Date: 02/01/01	Q-2 Police Officer – Police Dept.	Ordinary Disability Retirement Granted
Sharon Bissell Effective Date: 02/01/01	Q-2 Police Officer – Police Dept.	Industrial Disability Retirement Denied
Martha A. Cody Effective Date: 5/10/03	H-1 Firefighter – Fire Dept.	Industrial Disability Retirement Granted
Frank Cercos, III Effective Date: 01/18/03	H-51 – Fire Asst. Deputy Chief Fire Department	Industrial Disability Retirement / Stip Granted
Deborah D. Grier Effective Date: 12/01/02	1636 Health Care Billing Clerk Department of Public Health	Ordinary Disability Retirement / Vest Granted
Joel E. Harms Effective Date: 04/01/03	Q-62 Police Officer – Police	Industrial Disability Retirement / Stip Granted
Patrick J. Hickey, Jr. Effective Date: 12/1/03	H-30 Captain – Fire Dept.	Industrial Disability Retirement Granted
Christian C. Kurek Effective Date: 12/27/03	7410 Automotive Service Worker – Muni	Ordinary Disability Retirement Granted
Thomas J. Kurpinsky Effective Date: 01/09/03	H-20 Fire Lieutenant – Fire	Industrial Disability Retirement / Stip Granted
Richard L. Lauer Effective Date: 5/24/03	H-30 Fire Captain – Fire Dept.	Industrial Disability Retirement / Stip Granted
Yung Li Effective Date: 11/01/02	9163 Transit Operator, Muni	Ordinary Disability Retirement Granted
Margarita H. Loinaz Effective Date: 10/01/02	2230 Physician Specialist – Department of Public Health	Ordinary Disability Retirement / Vest Granted

Bruce Marovich Effective Date: 01/18/03	Q-62 Lieutenant III	Industrial Disability Retirement / Stip Granted
Ronald A. Orme Effective Date: 08/30/03	2940 Protective Services Worker – Dept. Human Servcs.	Ordinary Disability Retirement / Vest Granted
Eric T. Richardson Effective Date: 04/01/03	H-2 Firefighter – Fire Dept.	Industrial Disability Retirement / Stip Granted
John S. Walters Effective Date: 02/26/03	H-2 Firefighter – Fire Dept.	Industrial Disability Retirement / Stip Granted
Joseph M. Wright Effective Date: 01/10/03	H-39 Captain/Training Div. – Fire Dept.	Industrial Disability Retirement / Stip Granted

8c. Approval of Request for Travel for Retirement Board members, to travel to Palm Springs, CA on March 7-9, 2004 for the CALAPRS General Assembly.

8d. Approval of Request for Travel for Donald Holcher, Senior Investment Officer, to travel to Monterey, CA for the AMB Annual Advisory Meeting on March 10-11, 2004.

9. Executive Director's Report

Executive Director Clare Murphy explained that staff continues to have difficulties with reporting and timeliness issues with the San Francisco Unified School District Payroll Division. This problem has yet to be resolved.

Ms. Murphy explained that with respect to negotiations for Fiscal Year 2003-04, all negotiations have been concluded. The Board of Supervisors has adopted the Memoranda of Understanding for the "chief" ranks in the Police and Fire Departments. Any Cost of Living Adjustments (COLA) increases that are to be paid for retired chiefs and or their survivors will be paid at end of February 2004.

Ms. Murphy presented a work release report that has been developed for those Board members who are City employees. Staff has been in contact with the Police, and Fire Departments, given the new leadership in both agencies, to ensure that they are aware of the City Attorney Opinion to give board members release time. This report will serve as an effective forward notice to the Department Head.

Ms. Murphy provided a list of educational opportunities for Board members. If any Board member is interested in attending any of these events, they should contact her office.

Ms. Murphy presented a copy of the annual listing of the top 200 pension plans and other institutional investors, prepared by the Pensions and Investments publication. The Retirement System remains in the top 100 pension funds (#82) which is consistent with the rank of past years.

Ms. Murphy outlined the Charter Amendments that impact the pension plan for the March 2004 ballot:

- Proposition A: the additional complement to pension plan that would allow tax deferral of in-lieu payments that are made at the time of separation from employment. Staff is analyzing the impact of this program should it pass.
- Proposition B: would remove District Attorneys, Public Defenders, and Public Defender Investigators from the SFERS and make them members of CalPERS.
- Proposition D: amendments to the Domestic Partnership law that was approved by the voters in 1990.

In response to Commissioner Driscoll's question, Ms. Murphy explained that staff has identified the tasks and begun formation of a plan to implement Proposition A. Carol Cypert, Deferred Compensation Manager, has extensive experience in defined contribution plans and will assist should Proposition A pass.

The Executive Director provided the Board with a copy of the Forward Calendar, which outlined the items projected items to be calendared before the Retirement Board in the next six months. Additionally, the Retirement Board has scheduled a special meeting on Friday, February 27, 2004 to consider the City Retirement Contribution rates for Fiscal Year 2004-2005.

The Executive Director explained that last week she received notice from Supervisor McGoldrick who has determined that it would be appropriate for the Controller, Treasurer and herself to attend a hearing to discuss the impact of any investment the City and the Pension Fund has in companies that do business in nations which support or sponsor terroism.

INVESTMENT CALENDAR

10. **Recommendation to Approve Investment Guidelines for Mazama Capital Management (SMID Cap Growth Equity)**
David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Casciato, to approve Investment Guidelines for Mazama Capital Management (SMID Cap Growth Equity).

Approved by the following vote:
Ayes: Casciato, Driscoll, Meiberger, Wright
Absent: Breall, Ellington, Sandoval

11. **Annual Report on Proxy Voting for the Year Ended December 31, 2003**
David Kushner, Deputy Director for Investments, Mark Coleman, Security Analyst and Fassil Michael, of Institutional Shareholder Services, presented an oral and written report on this item.

This was an informational item only, no action taken.

12. **Recommendation to Approve Proxy Voting Policy and Guidelines for 2004**
David Kushner, Deputy Director for Investments, Mark Coleman, Security Analyst and Fassil Michael, of Institutional Shareholder Services, presented an oral and written report on this item.

Marguerite Young, representing SEIU, asked for clarification on the open access to the proxy as it relates to the Council of Institutional Investors.

The Board voted a Proxy Voting Policy and Guidelines for 2004.

13. **Review and Approval of Real Estate Strategic Investment Plan**

Note for the Record: The Board referred this matter to a future Retirement Board meeting.

14. **Review and Approval of 2004 Real Estate Annual Investment Plans**

Note for the Record: The Board referred this matter to a future Retirement Board meeting.

15. **Approval of Recommendation to Commit Up To $15 million to First Reserve Fund IX**
David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, Brian Murphy and Ken Wisdom of Portfolio Advisors, presented a written and oral report to the Board on this item.

Commissioner Sandoval expressed his opinion that a press release to notice the Board's policy regarding first time, newly emerging firms and funds would be a valuable and effective tool.

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Casciato, to commit up to $15 million to First Reserve Fund IX

Approved by the following vote:
Ayes: Casciato, Driscoll, Meiberger, Sandoval, Wright
Absent: Breall, Ellington

10:50 a.m. Commissioner Sandoval left the meeting.

16. **Approval of Recommendation to Commit Up To $15 million to Friedman Fleischer & Lowe Fund II**
David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, Brian Murphy and Ken Wisdom of Portfolio Advisors, presented a written and oral report to the Board on the item.

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Casciato, to commit up to $15 million to Friedman Fleischer & Lowe Fund II.

Approved by the following vote:
Ayes: Casciato, Driscoll, Meiberger, Wright
Absent: Breall, Ellington, Sandoval

11:15 a.m. Commissioner Wright left the meeting.
Meeting recessed from 11:15 a.m. to 11:25 a.m.

17. **Deputy Director for Investment's Report**
No proxy votes were presented.

David Kushner, Deputy Director for Investments, reported that as of January 31, 2004 the fund was valued at approximately $11.7 billion dollars. The DDI provided the Board with reports detailing movements within sub-asset classes for the month ended January 31, 2004.

Mr. Kushner explained the exceptions to approved Asset Allocation policy. These exceptions include a small underweight in Real Estate, where Staff continues to search for attractive investment opportunities, and underweight in the Aggressive EAFE sub-asset class within International Equity, where Staff and Consultant are in the process of reevaluating the existing allocation structure. Additionally, Mr. Kushner reported that cash positions are within bounds set by the Board.

Mr. Kushner reported to the Board that as a result of a decline in market value, an asset held by LSV Asset Management (International Value Equity) fell below the minimum market capitalization constraint in the approved investment guidelines for this manager.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

18. **Deferred Compensation Manager Report**

Carol Cypert, Deferred Compensation Manager, discussed the following items with board members:

- Termination of the 5 core investment funds were mapped successfully and without incident. 18 Self-Directed Brokerage Accounts were opened during the process to retain a core investment fund that was being terminated. Ms. Cypert reported that three participants complaints were received regarding the notification process of fund terminations and mapping.
- A monthly activity report from ING was provided for review. Ms. Cypert reported that total assets in the plan are over $1,018,000,000 as of February 6, 2004.
- Ms. Cypert announced that ING will be hosting their annual dinner on March 10, 2004
- Ms. Cypert announced that a new Senior Clerk Typist, Elizabeth Givens, is now working in the Deferred Compensation Plan subject area.
- Ms. Cypert informed Board members that the new "Fee Calculator" is now available on-line at the City and County of San Francisco Deferred Compensation website offered through ING. Positive feedback has been received from participants.

19. Board Member's Report
    - Commissioner Meiberger will report on his attendance at Pacific Pension Institute Conference in Pasadena, CA
    - Commissioner Meiberger will report on his attendance at CALAPRS Trustee's Roundtable in San Diego
    - Commissioner Casciato will report on his attendance at RREEF Conference in Palm Springs, CA

    Commissioner Meiberger reported on the two conferences he attended and noted that both the Pacific Pension Institute and the CALAPRS Trustees Roundtable discussed on corporate governance.

    Commissioner Casciato highlighted the topics discussed at the RREEF Conference. There was also discussion about the concept of eliminating smoothing from the actuarial valuation.

    Commissioner Casciato also raised the issue of the retirement case involving Daniel Patton and distributed a document to Deputy Director, Jay Huish.

    Commissioner Casciato commended Carol Cypert, Deferred Compensation Manager, and her work in handling the termination of the Janus Funds.

    This was an informational item only, no action taken.

20. Adjournment

    There being no further business, the Board adjourned its meeting at 11:55 a.m.

    Respectfully submitted,

    Clare M. Murphy
    Executive Director

Please Note: The minutes of this meeting set forth actions taken by the Retirement Board on the matters stated but not necessarily in the chronological sequence in which the matters were considered.

MINUTES

RETIREMENT BOARD

CITY AND COUNTY OF SAN FRANCISCO

30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is dedicated to securing, protecting and prudently investing the pension trust assets, administering mandated benefit programs, and providing promised benefits.

Special Meeting
Friday, February 27, 2004
8:30 AM

DOCUMENTS DEPT.
MAR 17 2004
SAN FRANCISCO
PUBLIC LIBRARY

Roll Call:

Retirement Board
Present: William Breall, Commissioner
Joseph Driscoll, Vice-President
Al Casciato, Commissioner
Herb Meiberger, Commissioner
Gerardo Sandoval, Commissioner (noted present at 8:35 am)

Absent: E. David Ellington, President
Brenda Wright, Commissioner

Retirement System:
Present: Clare M. Murphy, Executive Director of the Retirement System

PUBLIC COMMENT

Members of the public shall have an opportunity to address the Retirement Board on items of interest to the public that are within the subject matter jurisdiction of the Retirement Board, including items being considered today. Members of the public may address the Retirement Board at the beginning of the meeting or when the subject of their interest on today's agenda is being considered. Members of the public may address the Retirement Board for up to five minutes. The President of the Retirement Board may limit the total testimony to 30 minutes.

Vice President Driscoll reviewed the Public Comment procedures for the attendees.

No Public Comment was offered.

REGULAR CALENDAR

1. Final Determination of Economic Assumptions Effective July 1, 2004.

   Clare Murphy, Executive Director, together with Leslie Finertie representing Towers Perrin, presented a written and oral report on this item.

Ms. Murphy explained that the Retirement Board agreed to the Mayor's Office request to extend consideration of adoption of the economic assumptions and establishment of Employer contribution to this special meeting. Ms. Murphy outlined the meetings that had taken place between the Mayor's Office and Controller's Office to review data required by the Retirement System so that the consulting actuary could then analyze possible changes to their recommendation.

Ed Harrington, Controller, explained that Ms. Murphy had given a fair and good summary of the meetings that had taken place and was disappointed, from the City's perspective, but understood the methodology that is used by the actuary to prepare the economic assumptions.

The Board asked questions of Ms. Finertie and Mr. Harrington and engaged in a discussion.

Action: It was moved by Commissioner Breall, seconded by Commissioner Casciato, to approve the final determination of Economic Assumptions Effective July 1, 2004.

Approved by the following vote:
Ayes: Breall, Casciato, Driscoll, Meiberger, Sandoval
Absent: Ellington, Wright

2. **Recommendation to Approve City Retirement Contribution Rates for Fiscal Year 2004- 2005, Effective July 1, 2004.**

Clare Murphy, Executive Director, together with Leslie Finertie representing Towers Perrin, presented a written and oral report on this item.

Lois Black, a member, asked if the proposed 4.48% rate was higher or lower for miscellaneous members versus police/fire members.

Clare Murphy, Executive Director, explained the contribution rate is a single rate of contribution for the plan as a whole.

In response to Commissioner Casciato's comments, Controller Ed Harrington explained that his office would provide the information regarding the impact of the Employer's contribution on City departments, funds and bargaining units.

Action: It was moved by Commissioner Breall, seconded by Commissioner Meiberger, to approve the City Retirement Contribution Rate of 4.48% for Fiscal Year 2004- 2005, Effective July 1, 2004.

Approved by the following vote:
Ayes: Breall, Casciato, Driscoll, Meiberger, Sandoval
Absent: Ellington, Wright

3. **Recommendation to Approve Actuarial Operating Factor Tables, Effective July 1, 2004.**

Clare Murphy, Executive Director, presented a written and oral report on this item.

Action: It was moved by Commissioner Breall, seconded by Commissioner Meiberger, to approve the Actuarial Operating Factor Tables, effective, July 1, 2004.

Approved by the following vote:
Ayes: Breall, Casciato, Driscoll, Meiberger, Sandoval
Absent: Ellington, Wright

In response to Commissioner Sandoval's question, Ms. Murphy explained that the actuarial analysis for the proposed Charter Amendment to improve retirement benefits for miscellaneous employees can now proceed.

4. **Adjournment**

There being no further business, the Board adjourned its meeting at 9:10 a.m. in memory of Lee Guth, former manager of the Workers Compensation Division, who recently passed away.

Respectfully submitted,

Clare M. Murphy
Executive Director

Please Note: The minutes of this meeting set forth actions taken by the Retirement Board on the matters stated but not necessarily in the chronological sequence in which the matters were considered.

MINUTES

RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is dedicated to securing, protecting and prudently investing the pension trust assets, administering mandated benefit programs, and providing promised benefits.

Wednesday, March 10, 2004
8:30 AM

DOCUMENTS DEPT

APR 16 2004

SAN FRANCISCO
PUBLIC LIBRARY

Roll Call:

Retirement Board
Present: E. David Ellington, President
Joseph Driscoll, Vice-President
William Breall, Commissioner
Al Casciato, Commissioner
Herb Meiberger, Commissioner (noted present at 8:35 am)
Brenda Wright, Commissioner

Absent: Gerardo Sandoval, Commissioner

Retirement System:
Present: Clare M. Murphy, Executive Director of the Retirement System

PUBLIC COMMENT
Members of the public shall have an opportunity to address the Retirement Board on items of interest to the public that are within the subject matter jurisdiction of the Retirement Board, including items being considered today. Members of the public may address the Retirement Board at the beginning of the meeting or when the subject of their interest on today's agenda is being considered. Members of the public may address the Retirement Board for up to five minutes. The President of the Retirement Board may limit the total testimony to 30 minutes.

President Ellington reviewed the Public Comment procedures for the attendees.

Herb Meiberger, spoke, prior to taking his seat as a commissioner. He expressed his views of senior management of the Retirement System. He focused his view of personnel inadequacies in personnel management style and urged the Retirement Board to become aware of the situation and reminded them of their fiduciary responsibilities.

Note for the Record: Verbatim Statements by members of the public are generally included in the minutes. Statements exceeding 150 words are not included verbatim, pursuant to Article II, Section 67.17 of the Administrative Code.

8:35 a.m. Commissioner Meiberger took his seat at the meeting.

REGULAR CALENDAR

1. Minutes of the February 10, 2004 Board Meeting
   Minutes of the Special February 27 2004 Board Meeting

   Action: It was moved by Commissioner Casciato, seconded by Commissioner Wright, to approve the minutes of the February 10, 2004 and the Special February 27, 2004 Board Meetings as presented.

   Approved by the following vote:
   Ayes Breall, Casciato, Driscoll, Ellington, Meiberger, Wright
   Absent: Sandoval

2. Old and Ongoing Business List
   Shauna Rose, Executive Assistant, presented a written and oral report on this item.

   Action: It was moved by Commissioner Casciato, seconded by Commissioner Wright, to approve the Old and Ongoing Business List as amended.

   Approved by the following vote:
   Ayes: Breall, Casciato, Driscoll, Ellington, Meiberger, Wright
   Absent: Sandoval

3. Approval of Recommendation of Annual Basic Cost of Living Adjustment (COLA)
   Clare Murphy, Executive Director, presented a written and oral report on this item.

   Lois Black, asked why most recent retirees do not have a COLA bank and why there appeared to be a two-tier system for retirees.

   Clare Murphy, Executive Director, explained the legal provisions of Charter Section 8.8526, which provides that basic COLA is determined by the local measure of Consumer Price Index and that only percentages of those in excess that was granted be stored in COLA bank.

   Action: It was moved by Commissioner Driscoll, seconded by Commissioner Casciato, to approve the Annual Basic Cost of Living Adjustment (COLA) as follows:

   - Adjustment of 2% payable effective July 1, 2004 for retirees with effective dates on or prior to July 1,2002, and
   - 1% payable effective July 1, 2004 for retirees with effective dates of July 2, 2002 through July 1, 2004.

   Approved by the following vote:
   Ayes: Breall, Casciato, Driscoll, Ellington, Meiberger, Wright
   Absent: Sandoval

4. Report on Supplemental Cost of Living Benefit Reserve
   Clare Murphy, Executive Director, presented a written and oral report on this item. She explained insufficient earnings occurred in 2002-2003 to meet the Charter requirements for payments of supplemental benefits effective July 1, 2004.

   The Board reviewed and discussed the report and asked questions of the Executive Director.

   This was an informational item only, no action taken.

5. **Review of Benefit Interpretation Policy Activities for the 3rd and 4th Quarter of 2003**
Jay Huish, Deputy Director, presented a written and oral report on this item.

This was an informational item only, no action taken.

6. **Petition for Rehearing (PERS) – Janet Prieto**
Dan Maguire Deputy City Attorney presented a written and oral report on this item.

In response to Commissioner Casciato's inquiry, Mr. Maguire explained that the attorney for Janet Prieto was notified that this matter was to be considered before the Retirement Board.

On motion of Commissioner Breall, seconded by Commissioner Wright, the Retirement Board denied the petition for rehearing for Janet Prieto.

Approved by the following vote:
Ayes: Breall, Casciato, Driscoll, Ellington, Meiberger, Wright
Absent: Sandoval

9:50 am to 10:15 am the Retirement Board met in Closed Session
Pursuant to Government Code Section 54957, Administrative Code Section 67.10

7. **Personnel Committee Report (Meeting of 2/18/04 – Actuary Candidate(s) Interview) Discussion and Determination of next step(s) regarding Actuary Position**

Action: Vice President Driscoll informed the members of the public that the Retirement Board met in closed session and voted to make an offer to an individual for the Actuary position.

Approved by the following vote:
Ayes: Breall, Casciato, Driscoll, Ellington, Wright
Noes; Meiberger
Absent: Sandoval

8. **CONSENT CALENDAR**
All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

Action: It was moved by Commissioner Breall, seconded by Commissioner Driscoll, to approve the Consent Calendar as presented.

Approved by the following vote:
Ayes: Breall, Casciato, Driscoll, Ellington, Meiberger, Wright
Absent: Sandoval

8a. Voluntary Retirement Board List No. 9-03

8b. Decision of Hearing Officers

Ronald Apostoli Effective Date: 05/02/03	H-20 Lieutenant – Fire Dept.	Industrial Disability Retirement / Stip Granted

Catherine Bauman Effective Date: 06/29/03	5293 Planner IV – City Planning	Ordinary Disability Retirement / Vest Granted
Richard Botto Effective Date: 08/01/03	500C Court Reporter – Superior Court	Ordinary Disability Retirement Granted
Sharon D. Hernandez Effective Date: 11/01/02	8165 Claims Supervisor I – Dept. of Human Resources/WC	Ordinary Disability Retirement / Stip Granted
Lawrence M. Manwiller Effective Date: 02/02/02	Q-52 Sergeant III – Police	Industrial Disability Retirement / Stip Granted
Chester Martin Effective Date: 08/18/03	9131 Station Agent – Muni	Ordinary Disability Retirement / Stip Granted
Arquimedes Mercado, Jr. Effective Date: 12/01/03	2708 Custodian – SFUSD	Ordinary Disability Retirement Granted
Mario Moreno Effective Date: 06/01/03	7355 Truck Driver – Airport	Ordinary Disability Retirement / Vest Granted
Donald W. Roby	PERS Disability	Granted
Carol Shagourny-Harper Effective Date: 08/16/03	2323 Clinical Nurse Specialist – DPH	Ordinary Disability Retirement / Vest Granted
Carl L. Shorter Effective Date: 04/01/03	5302 Traffic Survey Tech. – Parking & Traffic	Ordinary Disability Retirement / Vest Granted

8c. Dismissal of Disability Retirement Application

• Antonio Corzantes	Ret. # B5024	Ordinary Disability Retirement
• Gerald F. Delia	Ret. # 82469	Industrial Disability Retirement

8d. Approval of Request for Travel for E. David Ellington, Commissioner, to attend the Council of Institutional Investors Spring Meeting 2004 to be held in Washington, DC on March 24-26, 2004, and to meet with Investment Managers based in New York, NY on March 27-30, 2004

8e. Approval of Request for Travel for David Kushner, Deputy Director for Investments, to travel to Pinehurst, NC on April 25-27, 2004 for the Investment Management Institute Public Funds Forum and also to attend the Elkind Economics Emerging Markets Investing Conference to be held in Dallas, TX on April 28-29, 2004

8f. Approval of Request for Travel for Donald Holcher, Senior Investment Officer, to attend the Annual GMAC Partners Meeting to be held on May 3-5, 2004 in Miami, FL

10:15 to 10:20 am the Retirement Board Recessed.

10:15 am President Ellington left the Meeting.

9. **Executive Director's Report**
Executive Director Clare Murphy, explained that there continues to be a number of outstanding issues with the SFUSD which require SFERS review. Staff is meeting with the new personnel at the SFUSD and is processing and posting all payrolls.

Ms. Murphy explained that, as a result of the March 2, 2004 election, the voters approved Proposition A, a post separation of payments that can be deferred into a program to be administered by SFERS at no cost to the City. The voters approved Proposition B, a retirement benefit enhancement for certain District Attorneys and Public Defender classifications. In order to enact this legislation a change in the State law is also required. Lastly, the voters approved Proposition D, amendments to the Domestic Partnership law.

Ms. Murphy provided a list of educational opportunities for Board members. If any Board member is interested in attending any of these events, they should contact her office.

Ms. Murphy explained that implementation of the targeted early retirement program (Proposition F, passed in November 2003), has just begun. The first batch of offer letters were sent to qualified employees of the City who have the option to accept a three year age/three years of service benefit should they agree to retired in thirty days. Retirement Staff will be counseling these members which may impact the Member Services Division.

Ms. Murphy outlined the steps that will need to be taken in order to implement Proposition A, which included a Board of Supervisors ordinance. A number of decisions have to be made by Retirement Board before the legislation is presented to the Board of Supervisors. SFERS is working with outside counsel and with the City Attorney to draft the necessary ordinance. Ms. Murphy felt the program could be implemented by September 2004.

INVESTMENT CALENDAR

10. **Report on the Performance of the Retirement Fund for the Quarter Ending 12/31/03**
David Kushner, Deputy Director for Investments, and Leslie Kautz, representing Angeles Investment Advisors, presented a written and oral report to the Board on this item.

The Board reviewed and discussed the report and asked questions of the Deputy Director of Investments and Ms. Kautz.

This was an informational item only, no action taken.

11. **Report of Brokerage Commissions Generated by the Retirement Fund During the Quarter Ending 12/31/03**
David Kushner, Deputy Director for Investments, and Leslie Kautz, representing Angeles Investment Advisors, presented a written and oral report to the Board on this item.

The Board reviewed and discussed the report and asked questions of the Deputy Director of Investments and Ms. Kautz.

This was an informational item only, no action taken.

12. **Report on Manager Monitoring List – Activities**
David Kushner, Deputy Director for Investments, and Leslie Kautz, representing Angeles Investment Advisors, presented a written and oral report to the Board on this item.

The Board reviewed and discussed the Manager Monitoring List and engaged in a question and answer session.

This was an informational item only, no action taken.

13. **Educational Session on Currency Management**
David Kushner, Deputy Director for Investments, Leslie Kautz and Andrew Rasmusen, representing Angeles Investment Advisors, presented a written and oral report to the Board on this item.

The Board reviewed and discussed the currency management report. There was a lengthy discussion about the merits of a currency program and the risk associated with such a program.

In response to the Board's inquiry, staff explained that there are other public pension funds who have invested in this program, including CalPERS and LACERA.

This was an informational item only, no action taken.

14. **Alternative Investments Committee Report (Meeting of 2/17/04)**
Joe Driscoll, Chair of the Alternative Investment Committee reported on the items discussed at the Committee meeting of February 17, 2004:

- Parameters for Investing in Secondary Partnership Interests, and
- Discussion of Public Records for Alternative Investments

This was an informational item only, no action taken.

15. **Public Investment Committee Report (Meeting of 2/17/04)**
Brenda Wright, Chair of the Public Investment Committee reported on the items discussed at the Committee meeting of February 17, 2004:

- Criteria and Request for Proposals for Manager of Managers for Emerging Manager Program
- International Equity Sub-Asset Class Allocation Recommendation
- Currency Management Program Presentation

This was an informational item only, no action taken.

16. **Approval of Recommendation to Issue a Request for Proposal (RFP) for Manager of Managers for Emerging Public Markets Managers**
David Kushner, Deputy Director for Investments, and Leslie Kautz, representing Angeles Investment Advisors, presented a written and oral report to the Board on this item.

Commissioner Meiberger expressed his apprehension about the very broad requirements in the Request for Proposal, specifically in the firm's "track record."

Jean Thomas commented that she was not happy with the Request for Proposal and felt this program did not benefit the existing employees or retirees of CCSF. She felt the Retirement System had an obligation to invest in profitable enterprises based on risk return.

Action: It was moved by Commissioner Breall, seconded by Commissioner Driscoll, to issue a Request for Proposal for Manager of Managers for Emerging Public Markets Managers.

Approved by the following vote:
Ayes: Breall, Casciato, Driscoll, Ellington, Wright
Noes: Meiberger
Absent: Sandoval

17. Approval of Recommendation for International Equity Sub-Asset Class Allocation

David Kushner, Deputy Director for Investments, and Leslie Kautz, representing Angeles Investment Advisors, presented a written and oral report to the Board on this item.

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Breall, to approve the recommendation for International Equity Sub-Asset Class Allocation as presented by staff.

Approved by the following vote:
Ayes: Breall, Casciato, Driscoll, Ellington, Meiberger, Wright
Absent: Sandoval

18. Deputy Director for Investment's Report

David Kushner, Deputy Director for Investments, reported that:

- As of February 29, 2004 the fund was valued at approximately $11.8 billion dollars. The DDI provided the Board with reports detailing movement of funds between sub-asset classes for the month ended February 29, 2004, as well as current asset and sub-asset class allocation information.

- Exceptions to approved Asset Allocation policy:. These exceptions include an underweight in Real Estate, where Staff continues to search for attractive investment opportunities, and underweight in the Aggressive EAFE sub-asset class within International Equity. (NOTE: As an earlier agenda item, the Board approved a change to the Int'l Equity sub-asset class targets and ranges which brings this segment of the fund into compliance). Additionally, the DDI reported that cash positions are within bounds set by the Board. Commissioner Driscoll asked that Staff report on the impact of adding assets to Western Asset Management from the NACM liquidation.

Mr. Kushner reported to the Board the following changes of SFERS managers:

- Liaquat Ahamed (CEO) and Steve Constantine (Institutional Sales and Client Service) have both left Fisher Frances. While neither of these individuals were responsible for day to day asset management, these were two key people in the organization. As a result of these departures, Fisher Francis is being placed "Under Review". Commissioner Driscoll asked that Staff review the allocation between FFTW and Bridgewater.

- Elizabeth Fisher, a member of the large cap growth team at RCM, has left the organization. Ms. Fisher was responsible for a small number of institutional portfolio relationships, and was responsible for analyzing and evaluating corporate accounting practices. This is the latest of a number of departures from RCM.

- Oaktree Capital Management has announced the sale of 5 percent of the firm to a group of investors led by the Knight Foundation. This will not result in any changes in management or control of the organization.

Lastly, based on staff's and Proxy Consultant's (ISS) analysis and recommendation, the Board voted AGAINST a shareholder proposal for TYCO to reincorporate in the US from Bermuda.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

19. Review of the Semi-Annual Investment Performance for the San Francisco Deferred Compensation (457) Plan for the Period Ending 12/31/03

Carol Cypert, Deferred Compensation Manager, Bruno Grimaldi and Julianne Gee of KPMG Investment Advisors reviewed and discussed the Investment Performance Analysis for the period ending December 31, 2003 with Board members. Mr. Grimaldi reviewed the current "mutual fund scandals " and issues surrounding SEC violations and discussed IRS guidelines that have recently been issued by the Department of Labor regarding fiduciary responsibilities with respect to market timing of trades. Mr. Grimaldi discussed funds that were identified on "watch" for the period ending December 31, 2003.

12:30 pm Commissioner Wright left the Meeting.

20. Review of the 2003 Annual Plan Review of the San Francisco Deferred Compensation (457) Plan
Carol Cypert, Deferred Compensation Manager, and representatives from the ING Life Insurance and Annuity Company discussed the "457 Deferred Compensation Plan 2003 Annual Review" with Board members. Peter Belardinelli, Regional Manager provided an overview of Government Market Trends, Plan Statistics, and Service Activity. Mr. Belardinelli introduced:

- Kathleen Murphy, Group President - U.S. Worksite and Institution Financial Services who said she would be taking an active role with the oversight of the City and County of San Francisco 457 Deferred Compensation Plan;
- Michael Eldredge, Manager, Fund Analysis, who reviewed the Investment Option Analysis, including an Investment Option Summary, Top Five Fund Analysis, Watch List Funds and Analysis, and Watch List Test Analysis;
- Frances Steen, Counsel for ING who discussed legislative updates including Revenue Ruling 2004-12 - Distribution of Rollover Amounts, IRS 457 Final Regulations, Proposed SEC Rule of Pricing of Mutual Funds.

21. Deferred Compensation Manager Report
Carol Cypert, Deferred Compensation Manager, requested that the date for the Deferred Compensation Review Committee be moved from Tuesday, March 16, 2004, to Tuesday, March 23, 2004. Herb Meiberger, Chair of the Committee agreed that the meeting should be moved to Tuesday, March 23, 2004 due to the fact that a quorum would not be present on Tuesday, March 16, 2004.

Ms. Cypert provided a monthly ING activity report for review.

22. Board Member's Report
Commissioner Breall spoke of his 15 years service as a member of the Retirement Board and spoke of the Executive Director's professionalism, dedication, and integrity. He also commended other members of senior staff and noted through the years, he became friends with many of the board members.

Commissioner Casciato thanked Dr. Breall for his years of service and pointed out that Dr. Breall rarely missed a Retirement Board meeting. He recounted a situation where Dr. Breall was instrumental in seeing a member at a moment's notice and went beyond the call of duty for members.

Commissioner Meiberger noted that Dr. Breall added value in his review of the Consent Calendar.

Executive Director, Clare Murphy thanked Dr. Breall for his 15 years of service to the Retirement Board and to the City. She thanked him for his kind words.

23. Adjournment

There being no further business, the Board adjourned its meeting at 1:10 pm.

Respectfully submitted,

Clare M. Murphy
Executive Director

Please Note: The minutes of this meeting set forth actions taken by the Retirement Board on the matters stated but not necessarily in the chronological sequence in which the matters were considered.

MINUTES

RETIREMENT BOARD

CITY AND COUNTY OF SAN FRANCISCO

30 Van Ness Avenue, Suite 3000

San Francisco, CA 94102

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is dedicated to securing, protecting and prudently investing the pension trust assets, administering mandated benefit programs, and providing promised benefits.

Tuesday, April 13, 2004
8:30 AM

DOCUMENTS DEPT.

JUN 1 4 2004

SAN FRANCISCO
PUBLIC LIBRARY

Roll Call:

Retirement Board
Present: E. David Ellington, President
Joseph Driscoll, Vice-President
Al Casciato, Commissioner
Michael Kim, Commissioner
Herb Meiberger, Commissioner (noted present at 8:40 am)
Gerardo Sandoval, Commissioner

Absent: Brenda Wright, Commissioner

Retirement System:
Present: Clare M. Murphy, Executive Director of the Retirement System

PUBLIC COMMENT
Members of the public shall have an opportunity to address the Retirement Board on items of interest to the public that are within the subject matter jurisdiction of the Retirement Board, including items being considered today. Members of the public may address the Retirement Board at the beginning of the meeting or when the subject of their interest on today's agenda is being considered. Members of the public may address the Retirement Board for up to five minutes. The President of the Retirement Board may limit the total testimony to 30 minutes.

President Ellington reviewed the Public Comment procedures for the attendees.

Gilbert Montoya, explained that he applied for disability retirement in 1997 and the Hearing Officer ruled that he was able to return to work. He returned to work in his department [MUNI] in March of 2001and was informed that employment was not available at that time. In December of 2002, his attorney requested a second hearing and it has taken over a year to receive a response to this request. His attorneys then proceeded to file an appeal with the Superior Court. Recently, he saw a communication from the Deputy City Attorney, which stated that the disability hearing matter has been resolved and that the issue is between Mr. Montoya and his Department rather than the Retirement System. He asked the Retirement Board to inform him whether or not he will be granted a second hearing.

Paul Horcher, a member of SFERS, came to the City in 1996 under the Mayor Brown administration, He has been laid off and his last day of work will be 4/23/04. In 1999, he began to purchase his public service, and received a brochure on purchasing public service. Last summer he went to a pre-retirement seminar and again, learned that he could apply for public service purchase. He wanted to purchase public service for a Municipal Advisory Commission, a public agency of Los Angeles County. It was his belief that the Executive Director denied his application for public service purchase of 1.8 years, which would make him eligible for Proposition F –Early retirement. He requested a hearing for today and the ED denied it.

President Ellington directed the Executive Director and/or the City Attorney to report on Messrs. Horcher and Montoya's Public Comment at the next meeting of the Retirement Board.

Herb Meiberger explained that last month he made a public comment which was not included in the minutes as it exceeded 150 words. He was present to again make public comment; however, this statement was 150 words and could thus be included in the minutes.

> "My name is Herb Meiberger. I've worked as a security analyst in the Retirement System for 18 years. My purpose is to share observations of serious deficiencies in senior management that directly harm the Fund.
>
> - Employees, supervisors, and senior management are constantly bogged down in personnel issues that seriously detract from their ability to focus on their assigned work;
> - Senior management is obsessed in firing employees for reasons unrelated to their job performance;
> - Communication is stifled and there's little sharing of ideas or information;
>
> As the quality of staff's work deteriorates, there will be greater reliance on consultants. This is dangerous because:
>
> - Consultants aren't fiduciaries and don't focus 100% of their efforts on the Retirement System;
> - It's poor governance;
> - The effect will be lower returns and less ability to improve them.
>
> Senior staff must be accountable for a productive work environment."

REGULAR CALENDAR

President Ellington welcomed the new member to the Retirement Board, Michael Kim.

1. **Minutes of the March 10, 2004 Board Meeting**

   Action: It was moved by Commissioner Driscoll, seconded by Commissioner Kim, to approve the minutes of the March 10, 2004 Retirement Board Meeting as presented.

   Approved by the following vote:
   Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval
   Absent: Wright

2. **Old and Ongoing Business List**

   Shauna Rose, Executive Assistant, presented a written and oral report on this item.

Action: It was moved by Commissioner Casciato, seconded by Commissioner Driscoll to approve the Old and Ongoing Business List as presented.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval
Absent: Wright

3. **Semi Annual Report on Concepts and Status of the Automated Retirement System**
Jay Huish, Deputy Director, presented a written and oral report on this item.

This was an informational item only, no action taken.

4. **Approve Adjustment of Retirement Allowance (Requires Ballot Vote)**
   - **Karen Bisagno-Peterson**
   - **Ramon E. Mahan**

Shauna Rose, Executive Assistant, presented a written and oral report on this item.

Action: The Board, by individual ballot vote for each claimant, unanimously approved an adjustment of Disability Retirement Allowance for Karen Bisagno-Peterson and Ramon E. Mahan

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval
Absent: Wright

5. **Resolution Commending William Breall, M.D., on his Service as Commissioner of the Retirement System Board**

Clare Murphy, Executive Director, presented a written and oral report on this item.

Action: It was moved by Commissioner Driscoll, seconded by Commissioner Meiberger, to approve the Resolution commending William Breall, M.D., on his service as Commissioner of the Retirement System Board.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval
Absent: Wright

6. **CONSENT CALENDAR**
All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

Action: It was moved by Commissioner Casciato, seconded by Commissioner Sandoval, to approve the Consent Calendar as presented.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval
Absent: Wright

6a. Voluntary Retirement Board List No. 10-03

6b. Decision of Hearing Officers

Dennis Balich Effective Date: 6/30/03	H-20 – Lieutenant Fire Dept.	Industrial Disability Retirement/Stip Granted
James F. Baubel Effective Date: 08/02/03	4300 Deputy Court Clerk – Superior Court Dept.	Ordinary Disability Retirement/Stip Granted
Joanne Berry Effective Date: 07/19/03	1452 – Executive Secretary II S.F. Airport	Ordinary Disability Retirement/Vesting Granted
John Burbank, II Effective Date: 6/30/03	H-2 – Firefighter Fire Dept.	Industrial Disability Retirement Granted
Melchor Bustamante Effective Date: 08/01/03	1446 – Secretary II DPH-SFGH	Ordinary Disability Retirement Granted
Angela G. Cromartie Effective Date: 05/01/01	9163 – Transit Operator MUNI	Ordinary Disability Retirement Granted
Rhonda Hamilton Effective Date: 05/22/03	9163 – Transit Operator MUNI	Ordinary Disability Retirement/Vesting Granted
Gary Holsher Effective Date: 03/13/04	Q-4 – Policeman Police Dept.	Industrial Disability Retirement Granted
John M. La Macchia Effective Date: 11/01/03	6120 – Environmental Health Inspector - DPH	Ordinary Disability Retirement Granted
Joseph J. Mazeau Effective Date: 03/29/03	H-40 Battalion Chief Fire Dept.	Industrial Disability Retirement/Stip Granted
Noreen E. Murphy Effective Date: 01/01/04	8238 – Public Safety Communications Dispatcher - Emergency Communications	Ordinary Disability Retirement Granted
John Peoples Effective Date: 06/29/03	H-40 Battalion Chief Fire Dept.	Industrial Disability Retirement/Stip
Ruperto Z. Santos Effective Date: 05/01/03	7410 – Auto Service Worker MUNI	Ordinary Disability Retirement/Vesting Granted
Jerry M. Sullivan Effective Date: 01/31/04	8323 – Senior Counselor Juvenile Probation	PERS Disability Granted
Sara J. Sweetwood Effective Date: 03/01/01	2320 – Registered Nurse DPH-LHH	Ordinary Disability Retirement Granted
John F. Welch Effective Date: 9/5/03	H-2 Firefighter – Fire Dept.	Industrial Disability Retirement / Stip Granted

6c. Petition for Rehearing

Kerry L. Gillett Effective Date: 5/11/02	500C Court Reporter – Trial Courts	Ordinary Disability Retirement Denied
Robert McBriarty Effective Date: 12/18/99	7379 – Electrical Mechanic MUNI	Ordinary Disability Retirement/Vest Denied

6d. Dismissal of Industrial Disability Retirement Application

Isabelita Joves	Retirement # B4433	Ordinary Disability Retirement

6e. Ratification of travel for Donald Holcher, Senior Investment Officer, to New York, NY, to attend the Apollo Advisory Board meeting and Conduct Due Diligence on March 28 – April 3, 2004.

6f. Approval of Request for Travel for E. David Ellington, Commissioner, to travel to Hong Kong and Shanghai on May 7-15, 2004 for the World Pension Forum Conference ***(approved at the January 7, 2003 Retirement Board meeting but cancelled due to Severe Acute Respiratory Syndrome (SARS).***

6g. Approval of Request for Travel for David Kushner, Deputy Director for Investments, to attend the Northern Trust Client Conference to be held on May 12-14, 2004 in Phoenix, AZ

6h. Approval of Request for Travel for Dan Maguire, Deputy City Attorney, to attend the National Association for Public Pension Attorneys (NAPPA) 2004 Legal Education Conference to be held on June 21-22, 2004, in St. Louis, MO.

6i. Approval of Request for travel for Al Casciato, Commissioner, to attend the 3rd Annual Stars & Stripes '04 Summit to be held on July 18-20, 2004 in Orlando, FL

6j. Approval of Request for Travel for Herb Meiberger, Commissioner, and other Board Members, to attend the Pacific Pension Institute's 2004 Summer Roundtable to be held on July 28-30, 2004 in San Francisco, CA

7. CLOSED SESSION

9:00 am to 9:20 am the Retirement Board met in Closed Session Pursuant to Government Code Section 54957, Administrative Code Section 67.10

PUBLIC EMPLOYEE APPOINTMENT/PUBLIC EMPLOYEE EMPLOYMENT (Government Code section 54957; Administrative Code section 67.10)

President Ellington stated that in Closed Session the Retirement Board learned that the candidate for the actuary position declined the offer of employment. The Retirement Board received feedback from the candidate who made some suggestions on how to improve and broaden the potential pool of candidates. The Board gave instructions to staff and the announcement for the position of actuary will be posted as soon as possible.

8. Executive Director's Report

Clare Murphy, Executive Director explained that there continues to be a number of outstanding payrolls with the SFUSD and that a number have been returned for revision.

Ms. Murphy explained that the City is in active negotiations with 36 bargaining units. The focus of the negotiations relates to the whether or not the Employer (the City) will pay on behalf of the participants (the

Employee] the 7.5% retirement contribution. There are other issues being considered but this issue is the primary focus. The cost of the 7.5% contribution has a $57 Million impact on the City's budget shortfall. Staff continues to be available to the negotiating parties.

Ms. Murphy provided the Board with a Forward Calendar, which previews the next 6 months to give the Retirement Board a preview of the items to be considered by the Retirement Board.

Ms. Murphy noted that there are no longer any outstanding Cost of Living payments to any population with regard to implementation of the existing Memoranda of Understanding.

Ms. Murphy explained the three Charter Amendments adopted by the voters in March 2004, which affect SFERS.

- A Charter amendment empowering an ordinance to be enacted by the Board of Supervisors to create a supplemental retirement defined contribution element.
- the Domestic Partner Proposition amended the City's plan and SFERS has revised its presentation and will be distributing information to those miscellaneous members who entered employment prior to 11/2/76 which explains that should they have a qualified Domestic Partner, upon the member's date of death, the partner is entitled to continuation benefits
- the retirement benefit enhancement for certain District Attorneys and Public Defender classifications. SFERS submitted the affected members to CalPERS. Ultimately, this issue will be the subject of collective bargaining and all the assets will have to be transferred to CalPERS.

Ms. Murphy explained that in response to Supervisor McGoldrick's inquiry relating to subsidiaries of firms that do business in countries that are sponsors of terrorism, SFERS has identified a data base which can be used to evaluate and track SFERS investments. Staff would then review the data, which is provided by the Investor Responsibility Research Center. Should the Board need to act on the information received, it will be calendared as part of the Retirement Board's Social Investment Policy.

Ms. Murphy provided a list of educational opportunities for Board members. If any Board member is interested in attending any of these events, they should contact her office.

The City Attorney has presented a "Good Government Legal Guide" and scheduled the required annual Sunshine Ordinance Training for Monday, May 3, 2004, 5:30 p.m. to 8:00 p.m. at Herbst Theater

Ms. Murphy explained that staff released a modified Request for Proposal for an audit of the consulting actuary. The responding firms met the deadline and provided proposals on 3/26/04. Ms. Murphy has not been able to review the proposals, and, the consulting actuary will be preparing a valuation based on June 30, 2004 data utilizing an advanced valuation system. Therefore, the Executive Director was asking the Board if she could notify the five firms that SFERS would hold the bids until November 2004. By this time, the new internal actuary will be on board and be able to conduct an audit the new system. Ms. Murphy said that she would make a report at the September 14, 2004 Retirement Board meeting recommending the selection of the firm to conduct the audit.

INVESTMENT CALENDAR

9. Semi Annual Review of Real Estate for the Period Ending 12/31/03

Deputy Director for Investments David Kushner, Senior Investment Officer Don Holcher, and Micolyn Yalonis of the Townsend Group presented an oral and written report.

Mr. Holcher commented that there is a tremendous amount of institutional money and a lot of competition from the German and Asian markets. The Real Estate Program was below the target of 12% yet within the target range of 9 to 15%. Staff continues to look for programs where it can get pre-specified pools of assets.

9:40 am to 9:55 am – Commissioner Sandoval was absent from the meeting.

10. Review and Approval of Real Estate Strategic Investment Plan for Fiscal Year 2004-05.

Deputy Director for Investments David Kushner, Senior Investment Officer Don Holcher, and Micolyn Yalonis of the Townsend Group presented an oral and written report.

The Board engaged in a lengthy question and answer session on the strategic plan, the proposed benchmark, the volatility of the sector and how staff will track the real estate market and trends.

In response to Commissioner Driscoll's question, Mr. Kushner said the proposed Real Estate Strategic Plan would not affect the asset allocation for the Fund.

Commissioner Meiberger asked staff to provide a breakdown in property detail and to provide greater detail in this area.

Action: It was moved by Commissioner Casciato, seconded by Commissioner Meiberger, to approve the Real Estate Strategic Investment Plan for Fiscal Year 2004-05, as presented.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval
Absent: Wright

11. Review and Approval of 2004-05 Real Estate Annual Investment Plans

Deputy Director for Investments David Kushner, Senior Investment Officer Don Holcher, and Micolyn Yalonis of the Townsend Group presented an oral and written report.

The Board engaged in a question and answer period with staff and the consultant. Mr. Holcher referenced the six initiatives for the 2004-05 Real Estate Investment Plans:

- Review Invesco Value mandate – reallocate unfunded commitments
- Review REIT's and Open End Commingled Funds for tactical performance enhancement
- Review current debt program for possible use of a portfolio level debt manager
- Rebalance portfolio toward 45% Core; 45% Value and 10% High Return
- 2004 Allocations to Target Core and Value Investments

Mr. Kushner noted that the Annual Investment Plan omitted language on the emerging manager allocation. This language has now been added to the Real Estate Investment Plan.

Action: It was moved by Commissioner Sandoval, seconded by Commissioner Driscoll, to approve the Real Estate Strategic Annual Investment Plan for Fiscal Year 2004-05, as presented.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval
Absent: Wright

10:30 am to 10:40 am – The Retirement Board recessed

12. Approval of Request for Proposal to Retain Manager(s) for Currency Management Program.

Deputy Director for Investments, David Kushner and Leslie Kautz, of Angeles Investment Advisors, presented a written and oral report on this item.

In response to President Ellington's question, Mr. Kushner explained that the currency manager will make a determination if the currency exposure SFERS has in active management should be adjusted higher or lower relative to the international equity benchmark.

In response to Commissioner Kim's question, Mr. Kushner explained that the currency manager or managers would have access to SFERS' custodian bank and have "real time" information on the investment holdings as well as the forward trade information.

Commissioner Meiberger raised several issues regarding the actual experience of other currency managers, the benchmark for returns, the fees, etc.

Commissioner Driscoll enumerated a list of firms and names that the Investment Division should contact when it begins its search.

Action: It was moved by Commissioner Sandoval seconded by Commissioner Driscoll, to Request for Proposal to Retain Manager(s) for Currency Management Program.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Sandoval
Noes: Meiberger
Absent: Wright

13. Approval of Recommendation to Modify Investment Mandate for BGI (Barclays Global Investor) and Approval of Investment Guidelines for Russell 1000 Growth Index

Deputy Director for Investments David Kushner and Leslie Kautz of Angeles Investment Advisors, presented a written and oral report on this item.

The Board reviewed and discussed the report and asked questions of Mr. Kushner and Ms. Kautz.

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Driscoll, to modify Investment Mandate for BGI (Barclays Global Investor) and to Approve the Investment Guidelines for Russell 1000 Growth Index.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval
Absent: Wright

14. Approval of Recommendation to Move $200 million from RCM to BGI R1000 Growth Index
Deputy Director for Investments David Kushner and Leslie Kautz of Angeles Investment Advisors, presented a written report on this item.

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Driscoll, to move $200 million from RCM to BGI R1000 Growth Index

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval
Absent: Wright

11:20 am Commissioner Sandoval left the meeting.

15. Approval of Recommendation to Commit $15 million to Hellman & Friedman Fund V
Deputy Director for Investments David Kushner, Brian Murphy, Ken Wisdom and Donna Smolens, from Portfolio Advisors, presented a written and oral report on this item.

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Driscoll, to Commit $15 million to Hellman & Friedman Fund V

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger,
Absent: Sandoval, Wright

16. Approval of Recommendation to Commit up to $10 million to Bunker Hill Capital Fund I
Deputy Director for Investments, David Kushner, Brian Murphy, Ken Wisdom and Donna Smolens, from Portfolio Advisors, presented a written and oral report on this item.

A lengthy discussion ensued with a series of questions from Board members on the due diligence conducted. Ms. Smolens gave a detailed analysis of the due diligence steps and checks that were used.

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Casciato, to commit up to $10 million to Bunker Hill Capital Fund

Approved by the following vote:
Ayes: Casciato, Ellington, Kim, Meiberger
Noes: Driscoll
Absent: Sandoval, Wright

Commissioner Driscoll explained he voted against this item, as he felt that additional due diligence was needed.

17. Deputy Director for Investment's Report
The Deputy Director for Investments reported:

As of March 31, 2004 the fund was valued at approximately $11.8 billion. Mr. Kushner provided the Board with reports detailing movement of funds between sub-asset classes for the month ended March 31, 2004, as well as current asset and sub-asset class allocation information. He also informed the Board that sufficient cash has been set aside for payment of benefits for the next three months.

The Fund continues to be underweight in the approved Asset Allocation range in Real Estate, where Staff continues to search for attractive investment opportunities. He further reported that the Fund voted in favor of the merger of Bank of America and Fleet Boston, as well as for the merger of Travelers Property Casualty and St. Paul Companies.

The Board voted the following proxies:

- **Merck and Company** – The Board voted FOR (3-2) a shareholder proposal requesting that Merck and Co. review the economic effects of the HIV/AIDS, tuberculosis and malaria pandemics on the company's business strategy, and its initiatives to date, and report to shareholders within six (6) months following their 2004 annual meeting.

  In Favor: Casciato, Ellington, Meiberger
  Against: Driscoll, Kim
  Absent: Sandoval, Wright

- **General Electric** - The Board voted AGAINST (2-3) a shareholder proposal requesting the General Electric Board of Directors to establish an independent committee to: 1) prepare a report evaluating the risk of damage to GE's brand name and reputation in the United States as a result of the outsourcing and offshoring of both manufacturing and service work to other countries and 2) make copies available to shareholders upon request.

  In Favor: Driscoll, Meiberger
  Against: Casciato, Ellington, Kim
  Absent: Sandoval, Wright

- **Sherwin Williams** - The Board voted FOR (5-0) a management proposal for Sherwin Williams Companies to amend Sherwin-Williams' Regulations to permit the use of communications equipment for facilitating meetings of shareholders and to make other changes.

  In Favor: Casciato, Driscoll, Ellington, Kim, Meiberger
  Absent: Sandoval, Wright

11:50 am to 11:55 am – Commissioner Casciato was absent from the meeting.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

18. **Approval of the Continuance of Delegation of Authority to Staff to Approve Unforeseeable Emergency Withdrawals from the Deferred Compensation Plan as Outlined in the Unforeseeable Emergency Withdrawal Policy.**

Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item. She noted that any applications that fall outside of the "normal" emergency withdrawal guidelines as defined by the IRS would be presented to the full Retirement Board for determination of approval or denial. A quarterly report reflecting emergency withdrawals will be provided to the Retirement Board.

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Driscoll to Approve the Continuance of Delegation of Authority to Staff to Approve Unforeseeable Emergency Withdrawals from the Deferred Compensation Plan as Outlined in the Unforeseeable Emergency Withdrawal Policy.

Approved by the following vote:
Ayes: Driscoll, Ellington, Kim, Meiberger
Absent: Casciato, Sandoval, Wright

11:55 am to 12:00 Noon Commissioner Ellington was absent from the meeting.

19. **Approval to Continue to Retain Mercer Investment Consulting to Assist with the selection and evaluation of the 457 Deferred Compensation Plan Core Investment Line-Up with Costs not to Exceed $10,000.00.**

Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

Mike Hebel, representing the Investment Committee of the Police Officers' Association (POA) said that the funds proposed in response to the Request for Proposal are not the ones being currently offered. He wanted the City's Deferred Compensation Plan to offer an excellent selection of funds.
Commissioner Meiberger suggested that Mr. Hebel specify the funds that the POA wanted to see offered in the City's Deferred Compensation Plan.
Action: It was moved by Commissioner Driscoll, seconded by Commissioner Casciato, grants approval to Continue to Retain Mercer Investment Consulting to Assist with the selection and evaluation of the 457 Deferred Compensation Plan Core Investment Line-Up with Costs not to Exceed $10,000.00.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger
Absent: Sandoval , Wright

20. **Deferred Compensation Plan Review Committee Report**
Herb Meiberger, Chair of the Deferred Compensation Plan Review Committee, presented a report from the Committee meeting held on March 23, 2004 which focused on:

Discussion of closed end funds
Generic branding and categories for the fund

21. **Review of Issues requiring Board policy determination relating to the Supplemental Tax Deferred Plan.**

Executive Director, Clare Murphy explained that the Carol Cypert, ING representatives and outside counsel from Hanson Bridgett, Marcus & Vlahos met to begin the planning process for the supplemental tax deferred plan.

Carol Cypert, Deferred Compensation Manager, engaged in discussion with Board members about the Supplemental Tax Deferred Plan and provided a draft Ordinance and Timeline for review. Ms. Cypert received direction from the Board regarding plan design in the areas of: Plan Effective Date(s), Eligibility Requirements, Contributions - Required Minimums, Eligible Rollovers into the plan, Investment Options, Normal Retirement Age, Distribution Options, and reimbursement of Administrative Costs by participants. Ms. Cypert informed Board members that the preliminary determination in the areas discussed would be used as "starting points" for meet and confer meetings with labor organizations.

Mike Hebel, representing the Police Officers' Association (POA), queried whether a person could participate in the Supplemental Tax Deferred Plan if they retired prior to the proposed start/implementation date.

Ms. Murphy explained that this question has been presented to the City Attorney, Controller and to outside counsel. Staff will continue to review the legal assessments of this question.

22. **Deferred Compensation Manager Report**

Deferred Compensation Manager, Carol Cypert, gave a report to the Board regarding the following items:

The Board voted the following proxies:

- **Merck and Company** – The Board voted FOR (3-2) a shareholder proposal requesting that Merck and Co. review the economic effects of the HIV/AIDS, tuberculosis and malaria pandemics on the company's business strategy, and its initiatives to date, and report to shareholders within six (6) months following their 2004 annual meeting.

  In Favor: Casciato, Ellington, Meiberger
  Against: Driscoll, Kim
  Absent: Sandoval, Wright

- **General Electric** - The Board voted AGAINST (2-3) a shareholder proposal requesting the General Electric Board of Directors to establish an independent committee to: 1) prepare a report evaluating the risk of damage to GE's brand name and reputation in the United States as a result of the outsourcing and offshoring of both manufacturing and service work to other countries and 2) make copies available to shareholders upon request.

  In Favor: Driscoll, Meiberger
  Against: Casciato, Ellington, Kim
  Absent: Sandoval, Wright

- **Sherwin Williams** - The Board voted FOR (5-0) a management proposal for Sherwin Williams Companies to amend Sherwin-Williams' Regulations to permit the use of communications equipment for facilitating meetings of shareholders and to make other changes.

  In Favor: Casciato, Driscoll, Ellington, Kim, Meiberger
  Absent: Sandoval, Wright

11:50 am to 11:55 am – Commissioner Casciato was absent from the meeting.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

18. **Approval of the Continuance of Delegation of Authority to Staff to Approve Unforeseeable Emergency Withdrawals from the Deferred Compensation Plan as Outlined in the Unforeseeable Emergency Withdrawal Policy.**

Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item. She noted that any applications that fall outside of the "normal" emergency withdrawal guidelines as defined by the IRS would be presented to the full Retirement Board for determination of approval or denial. A quarterly report reflecting emergency withdrawals will be provided to the Retirement Board.

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Driscoll to Approve the Continuance of Delegation of Authority to Staff to Approve Unforeseeable Emergency Withdrawals from the Deferred Compensation Plan as Outlined in the Unforeseeable Emergency Withdrawal Policy.

Approved by the following vote:
Ayes: Driscoll, Ellington, Kim, Meiberger
Absent: Casciato, Sandoval, Wright

11:55 am to 12:00 Noon Commissioner Ellington was absent from the meeting.

19. Approval to Continue to Retain Mercer Investment Consulting to Assist with the selection and evaluation of the 457 Deferred Compensation Plan Core Investment Line-Up with Costs not to Exceed $10,000.00.

Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

Mike Hebel, representing the Investment Committee of the Police Officers' Association (POA) said that the funds proposed in response to the Request for Proposal are not the ones being currently offered. He wanted the City's Deferred Compensation Plan to offer an excellent selection of funds.
Commissioner Meiberger suggested that Mr. Hebel specify the funds that the POA wanted to see offered in the City's Deferred Compensation Plan.

Action: It was moved by Commissioner Driscoll, seconded by Commissioner Casciato, grants approval to Continue to Retain Mercer Investment Consulting to Assist with the selection and evaluation of the 457 Deferred Compensation Plan Core Investment Line-Up with Costs not to Exceed $10,000.00.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger
Absent: Sandoval , Wright

20. Deferred Compensation Plan Review Committee Report

Herb Meiberger, Chair of the Deferred Compensation Plan Review Committee, presented a report from the Committee meeting held on March 23, 2004 which focused on:

Discussion of closed end funds
Generic branding and categories for the fund

21. Review of Issues requiring Board policy determination relating to the Supplemental Tax Deferred Plan.

Executive Director, Clare Murphy explained that the Carol Cypert, ING representatives and outside counsel from Hanson Bridgett, Marcus & Vlahos met to begin the planning process for the supplemental tax deferred plan.

Carol Cypert, Deferred Compensation Manager, engaged in discussion with Board members about the Supplemental Tax Deferred Plan and provided a draft Ordinance and Timeline for review. Ms. Cypert received direction from the Board regarding plan design in the areas of: Plan Effective Date(s), Eligibility Requirements, Contributions - Required Minimums, Eligible Rollovers into the plan, Investment Options, Normal Retirement Age, Distribution Options, and reimbursement of Administrative Costs by participants. Ms. Cypert informed Board members that the preliminary determination in the areas discussed would be used as "starting points" for meet and confer meetings with labor organizations.

Mike Hebel, representing the Police Officers' Association (POA), queried whether a person could participate in the Supplemental Tax Deferred Plan if they retired prior to the proposed start/implementation date.

Ms. Murphy explained that this question has been presented to the City Attorney, Controller and to outside counsel. Staff will continue to review the legal assessments of this question.

22. Deferred Compensation Manager Report

Deferred Compensation Manager, Carol Cypert, gave a report to the Board regarding the following items:

- The next meeting of the Deferred Compensation Plan Review Committee is scheduled for 6/15/04, 8:30 am
- The progress of the Supplemental Tax Deferred Plan
- The monthly activity report from ING was provided for review
- Total assets in the plan are at $1,040,541,064 as of April 11, 2004

RETIREMENT BOARD MEMBER'S REPORT

23. Board Member's Report

- **CALAPRS General Assembly – March 7-9, 2004 (attended by Joe Driscoll)**
  Commissioner Dnscoll reported on some of the topics covered at the conference. He said it was interesting to hear of the legal issues facing other public pension funds.

- **Public Funds Summit - March 14-17, 2004 (attended by Al Casciato)**
  Commissioner Casciato reported on the conference, which discussed hedge funds, the legislative changes regarding mutual funds and reporting processes.

- **Council of Institutional Investors Conference March 24-26, 2004 (attended by E. David Ellington)**
  President Ellington reported on his meeting noting that the biggest issue was the investigation being done to find out which companies and financial institutions have associations with terrorist groups, and, if any of the invested money goes to terrorism. The CII represents pension funds from public, labor and corporate agencies comprising assets valued over $2 trillion. The CII is very active in corporate governance issues, which is of paramount importance.

- **Safeway Proxy Issues (Al Casciato)**
  Commissioner Casciato received a letter signed by several pension funds, regarding the Safeway proxy to take place in May of 2004 raising concerns about its Board of Directors.

  David Kushner Deputy Director for Investments, said that every year staff brings to the Board a detailed proxy policy. Consistent with that policy, which was adopted by the Board at its February 10, 2004 meeting, a staff recommendation will be made to the Board on the Safeway proxy at its May 11, 2004 meeting.

12:50 p.m. to 1:08 p.m.
The Retirement Board met in Closed Session

24. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
(Subdivision (a) of Government Code §54956.9, Administrative Code §67.10)
Retirement Board v. Richard Salter, Trustee
Court of Appeal No. A105788

Deputy City Attorney Dan Maguire reported that the Retirement Board gave authorization to the City Attorney to enter into settlement negotiations with certain limitations. The Board asked that he report back to the Board.

25. Adjournment

There being no further business, the Board adjourned its meeting at 1:10 p.m. in memory of Richard Schlaich, former employee of the San Francisco City Employees' Retirement System, who passed away recently.

Respectfully submitted,

Clare M. Murphy
Executive Director

Please Note: The minutes of this meeting set forth actions taken by the Retirement Board on the matters stated but not necessarily in the chronological sequence in which the matters were considered.

MINUTES

RETIREMENT BOARD

CITY AND COUNTY OF SAN FRANCISCO

30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is dedicated to securing, protecting and prudently investing the pension trust assets, administering mandated benefit programs, and providing promised benefits.

Tuesday, May 11, 2004
8:35 AM

DOCUMENTS DEPT.

JUN 14 2004

SAN FRANCISCO
PUBLIC LIBRARY

Roll Call:

Retirement Board
Present: Joseph Driscoll, Vice-President
Al Casciato, Commissioner
Michael Kim, Commissioner
Herb Meiberger, Commissioner
Brenda Wright, Commissioner

Absent: E. David Ellington, President
Gerardo Sandoval, Supervisor

Retirement System:
Present: Clare M. Murphy, Executive Director of the Retirement System

PUBLIC COMMENT
Members of the public shall have an opportunity to address the Retirement Board on items of interest to the public that are within the subject matter jurisdiction of the Retirement Board, including items being considered today. Members of the public may address the Retirement Board at the beginning of the meeting or when the subject of their interest on today's agenda is being considered. Members of the public may address the Retirement Board for up to five minutes. The President of the Retirement Board may limit the total testimony to 30 minutes.

Vice President Driscoll reviewed the Public Comment procedures for the attendees.

Paul Horcher, noted that under the Executive Director's Report (Item 4) the issue of his public service credit will be discussed. Pursuant to Rule 3.09 he wants to present his public comment at that time as it has direct bearing on his matter. He also stated that he asked that his request for public service credit be calendared today and staff decided to not allow this to be calendared even though he is subject to a June 30, 2004 layoff date.

Gilbert Montoya asked if his issue was calendared at this meeting. The Executive Director responded that this matter would be considered in Closed Session (Item 15) on today's calendar.

REGULAR CALENDAR

1. Minutes of the April 13, 2004 Board Meeting
   Commissioner Kim's recollection was that the Board had voted against the Merck and Co. proxy at the April 13, 2004 meeting

   Deputy Director for Investments David Kushner explained that there had been a miscount of the proxy votes for Merck and Co., and that the Board had actually voted in favor of this matter.

   Vice President Driscoll suggested that, procedurally, that staff should report the outcome of the vote. Commissioner Meiberger asked that the proxy vote be included in all future minutes.

   Action: It was moved by Commissioner Meiberger, seconded by Commissioner Casciato, to approve the minutes of the April 13, 2004 Retirement Board Meeting as amended (inclusion of the details of proxy votes).

   Approved by the following vote:
   Ayes: Casciato, Driscoll, Kim, Meiberger, Wright
   Absent: Ellington, Sandoval

2. Old and Ongoing Business List
   Shauna Rose, Executive Assistant, presented a written and oral report on this item.

   This was an informational item only, no action taken.

3. Retirement System Travel Expense Report for the Period Ending March 31, 2004
   Clare Murphy, Executive Director, presented a written and oral report on this item.

   This was an informational item only, no action taken.

4. CONSENT CALENDAR
   All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

   Action: It was moved by Commissioner Casciato, seconded by Commissioner Wright, to approve the Consent Calendar as presented.

   Approved by the following vote:
   Ayes: Casciato, Driscoll, Kim, Meiberger, Wright
   Absent: Ellington, Sandoval

   4a. Voluntary Retirement Board List No. 11-03

   4b. Decision of Hearing Officers

Edward L. Collins Effective Date: 7/27/00	Q-4 Police Officer III Police Department	Industrial Disability Retirement/Stip Denied

Charles Elzey Effective Date: 1/8/03	H-20 - Lieutenant Fire Department	Industrial Disability Retirement/Stip Granted
Isaac A. Espinoza Effective Date: 4/11/04	Q-3 Police Officer Police Dept.	Death as a Result of Duty Granted
James J. Hughes Effective Date: 01/17/03	Q-62 Lieutenant Police Dept.	Industrial Disability Retirement / Stip Granted
Michael C. Kiser Effective Date: 4/1/03	H-4 – Fire Inspector Fire Department	Industrial Disability Retirement/Stip Granted
Billy R. McKinney Effective Date: 06/15/03	7338 Electrical Line Worker – Muni	Ordinary Disability Retirement / Vest Granted
Clarence Ruffin Effective Date: 5/16/03	H-2 Firefighter Fire Dept.	Industrial Disability Retirement/Stip Granted
Irene Thompson Effective Date: 5/17/03	3417 Gardener Recreation & Park	Ordinary Disability Retirement/Vesting Granted
Donald B. Trudeau Effective Date: 3/29/03	3434 Arborist Technician Recreation & Park	Ordinary Disability Retirement/Vesting Granted

4c. Approval of Request for Travel for Donald R. Holcher, Senior Investment Officer, to Attend the 2004 Credit Suisse First Boston Annual Partners Meeting on May 24-26, 2004, in Miami, Fl.

4d. Approval of Request for Travel for Brenda Wright, Commissioner, to travel to Chicago on July 22-27, 2004 for the NASP 15th Annual Pension Fund Conference.

4e. Resolution Commending Lourdes Tecson on the Occasion of Her Retirement

5. Executive Director's Report

Executive Director, Clare Murphy, explained that there is a number of outstanding School District payrolls that have not been successfully posted. Staff is working with SFUSD to ensure that internal controls are in place so the System receives the data in a timely fashion.

Ms. Murphy explained that the City has concluded negotiations with 20 of the 36 bargaining units. The resulting agreements contain a provision to have the employee pay the 7.5% retirement contribution. Another 8 to 10 bargaining groups are in mediation and/or arbitration. With the exception of the Police and Fire unions, all other unions must complete negotiations by the end of this month.

Ms. Murphy updated the Board on the Charter amendments passed in March 2004:

- Public Defender/District Attorney retirement enhancement - Data has been provided to CALPERS;
- Domestic Partnership legislation – Staff has revised active enrollment forms and a communication is being prepared for retirees so they are aware of the changes.

Ms. Murphy gave an update on Proposition F (Early Retirement). Department of Human Resources (DHR) has announced 49 retirement slots. Staff is working with DHR and the Mayor's office to identify an expedited process so SFERS can have a reasonable time to counsel all members who may be eligible for early retirement. There could be between 200 to 500 individuals who may require retirement counseling and each member is given a 30-day window in which they must make their decision.

In response to Commissioner Dnscoll's question, Ms. Murphy said that there are temporary funds in the 2004-05 budget and it is our expectation that SFERS' request for additional funds will be granted and be part of the interim budget decision. Members could be subjected to group processing if there are large numbers who need retirement counseling

Ms. Murphy stated all five firms who responded to the actuarial audit have agreed to have their bids continue in full force until a determination on the Actuary position is made in the Fall of this year.

Ms. Murphy provided a list of educational opportunities for Board members. If any Board member is interested in attending any of these events, they should contact her office.

In response to Commissioner Casciato's question, Ms. Murphy explained that it was her understanding that the 3% at 60 Charter Amendment introduced by Supervisor Sandoval, will not be calendared before the Board of Supervisors. Supervisor Sandoval has spoken to labor and asked them to consider the matter furtner.

Ms. Murphy explained that Deputy Director Jay Huish would make a report on Mr. Paul Horcher's request for Public Service Credit.

Deputy Director Jay Huish explained that staff has been reviewing the public service requests that Mr. Horcher has presented. Staff has researched and verified public service with his previous employers. At last month's meeting Mr. Horcher requested purchase of a period of time from November 1982 through November 1988 for his service on the Diamond Bar Municipal Administrative Council. Staff contacted the Los Angeles County and they informed staff that Mr. Horcher was not compensated and that this service was not covered by a local public retirement agency. Staff denied his request for two reasons: the information received stated Mr. Horcher did not receive compensation and the local service was not covered by the LACERA plan.

Mr. Huish explained that Mr. Horcher provided information that stated it could have been covered; however San Francisco's Administrative Code clearly states that the service must be covered by a public retirement plan. Mr. Horcher has submitted two additional public service requests since the April 11, 2004 meeting for service on a mosquito abatement board and a sanitation district. Those two entities were concurrent with time he had already purchased and SFERS does not allow a member to receive more than 1-year service credit for any given year. Mr. Horcher has paid approximately $72,000 to purchase prior service. Presently, his estimated vesting benefit will be approximately $2460 per month.

Mr. Paul Horcher explained that in August he will be 53 years of age and will be laid off in June of this year. He is trying to qualify for the early retirement proposal, Proposition "F" and needs 17 years of service. He has submitted all of his past public service to staff. He agreed with some of the statements made by staff but not all of them. He said he has made two requests to be calendared before the Retirement Board. He is prepared to pay for the service. He attended the SFERS retirement seminars and had expectations of being told everything he needed to know to qualify for the public service credit. Again, he asked that a member of the Retirement Board request that his issue be calendared and he would bring legal counsel.

A lengthy discussion ensued among Board members about this matter. There was discussion that perhaps this matter should properly be calendared before SFERS' Benefit Interpretation Committee (BIC).

Deputy City Attorney Dan Maguire said that the Retirement Board has a process in place where BIC reviews issues and that is the appropriate course for this matter.

Mr. Horcher expressed his displeasure on the way he was being treated. He asked for a member of the Retirement Board to calendar his matter in accordance with the Retirement Board Rules.

INVESTMENT CALENDAR

6. **Approval of Recommendation to Amend Investment Guidelines for Advent Capital Management (Convertible Securities Manager)**
Deputy Director for Investments David Kushner and Senior Investment Officer Carl Wilberg, presented a written and oral report on this item.

The Board reviewed and discussed the report and asked questions of Mr. Kushner.

Commissioner Kim questioned the credit quality rating referenced in the report from Angeles Investment Advisors report and said that, perhaps, it should CCC rather than CCC-.

Commissioner Meiberger recommended that the range of the number of authorized holdings should be increased to 100.

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Wright, to amend Investment Guidelines for Advent Capital Management (Convertible Securities Manager) to increase the range to 100 and correct the credit rating to CCC.

Approved by the following vote:
Ayes: Casciato, Kim, Meiberger, Wright
Noes: Driscoll
Absent: Ellington, Sandoval

7. **Approval of Recommendation to Amend Investment Authority for Exchange Traded Funds (ETFs)**

Deputy Director for Investments David Kushner and Carl Wilberg, Senior Investment Officer, presented a written and oral report on this item.

The Board reviewed and discussed the report and asked questions of Mr. Kushner and Mr. Wilberg.

In response to Commissioner Meiberger's request, staff provided the list of Exchange Traded Funds.

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Casciato, to amend Investment Authority for Electronically Traded Funds (ETFs) to include the ETF's listed below:

S&P500 SPDR	Russell 1000 iShares
Russell 2000 iShares	Russell 3000 iShares
Russell 1000 Value iShares	Russell 2000 Value iShares
Russell 1000 Growth iShares	Russell 2000 Growth iShares
MSCI EAFE iShares	MSCI Emerging Markets iShares

Approved by the following vote:
Ayes: Casciato, Driscoll, Meiberger, Wright
Noes: Kim
Absent: Ellington, Sandoval

8. Approval of Recommendation to Invest Up To $15 million in Oaktree Capital Management Fund V
Deputy Director for Investments David Kushner, Glen Schwartz, Senior Investment Officer, and Paul Crotty of Portfolio Advisors, presented a written and oral report on this item.
The Board reviewed and discussed the report and asked questions of Messrs. Kushner, Schwartz and Crotty relating to distressed debt market, components of this program and the other managers, which work in this arena.

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Casciato, to invest Up To $15 million in Oaktree Capital Management Fund V

Approved by the following vote:
Ayes: Casciato, Ellington, Kim, Meiberger, Wright
Absent: Ellington, Sandoval

Meeting recessed from 10:00 am to 10:10 am

9. Deputy Director for Investment's Report

Deputy Director for Investments David Kushner reported that as of April 30, 2004 the Fund was valued at approximately $11.7 billion dollars. Mr. Kushner provided the Board with reports detailing movement of funds between sub-asset classes for the month ended April 30, 2004, as well as current asset and sub-asset class allocation information. He also informed the Board that sufficient cash has been set aside for payment of benefits for the next two months.

Mr. Kushner reported that the Fund continues to be underweight the approved Asset Allocation range in Real Estate, where Staff continues to search for attractive investment opportunities.

Lastly, Mr. Kushner reported to the Board that, based on the approved proxy voting guidelines, the Fund withheld votes from three directors at Safeway. The Board voted the following proxies:

- **Halliburton** - The Board voted (3-2) AGAINST a shareholder proposal requesting Halliburton establish a committee to review the company's operations in Iran with particular reference to potential financial and reputational risks incurred by the company by such operations

  In Favor: Casciato, Driscoll
  Against: Kim, Meiberger, Wright
  Absent: Ellington, Sandoval

- **Dow Chemical** The Board voted (5-0) AGAINST a shareholder proposal requesting a report on the health, environment, and social concerns of the Bhopal, India survivors

  Against: Casciato, Driscoll, Kim, Meiberger, Wright
  Absent: Ellington, Sandoval

- **Ingersoll-Rand** - the Board voted (5-0) AGAINST a shareholder proposal to change the company's jurisdiction of incorporation from Bermuda to the U.S.

  Against: Casciato, Driscoll, Kim, Meiberger, Wright
  Absent: Ellington, Sandoval

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

10. Approval of the 457 Deferred Compensation Plan Document Updated May 10, 2004
Carol Cypert, Deferred Compensation Manager, presented a written and oral report on this item.

The Board reviewed and discussed the plan document and asked for clarification to the changes under the Domestic Relations Order.

Action: It was moved by Commissioner Casciato, seconded by Commissioner Meiberger, to approve the 457 Deferred Compensation Plan Document Updated May 10, 2004.

Approved by the following vote:
Ayes: Casciato, Driscoll, Kim, Meiberger, Wright
Absent: Ellington, Sandoval

11. Final Determination of the Unforeseeable Emergency Withdrawal Application for Salvador Monico
Carol Cypert, Deferred Compensation Manager, presented a written and oral report on this item.

The Board reviewed and discussed the report and asked questions of Ms. Cypert.

Action: It was moved by Commissioner Casciato, seconded by Commissioner Meiberger, to uphold staff's denial for the Unforeseeable Emergency Withdrawal Application for Salvador Monico.

Approved by the following vote:
Ayes: Casciato, Driscoll, Kim, Meiberger, Wright
Absent: Ellington, Sandoval

12. Discussion of Issues Concerning the Implementation of the Supplemental Tax Deferred Plan
Clare Murphy, Executive Director and Carol Cypert, Deferred Compensation Manager, presented a written and oral report on this item.

An informational meeting was held with Labor Representatives on Wednesday, April 28, 2004 regarding the Supplemental Tax Deferred Plan. Ms. Cypert conveyed to the Board some of the issues and concerns which were raised regarding participant eligibility requirements, a required minimum contribution limit and potential distribution penalties.

This was an informational item only, no action taken.

13. Deferred Compensation Manager Report
Carol Cypert, Deferred Compensation Manager, reported to the Board on the following issues:

- the progress of the Supplemental Tax Deferred Plan;
- the date of the next meeting of the Deferred Compensation Review Committee (6/15/04, 8:30 am);
- ING and Mercer Investment Consulting is prepared to present a core investment line-up for determination at the next meeting of the Deferred Compensation Review Committee; and
- The monthly activity report from ING

RETIREMENT BOARD MEMBER'S REPORT

14. Board Member's Report

Commissioner Meiberger requested that Mr. Paul Horcher's request to be calendared be honored for the June meeting. (See Item #5)

Commissioner Casciato explained that he felt the reports presented by Rosenberg Real Estate Equity Fund (RREEF) were very clear as it showed how SFERS was tracking in relation to the proposed benchmark. He also wanted to review the proxy votes for Merck & Co. Lastly, he stressed the importance of the use of visitor badges for the SFERS office.

Commissioner Driscoll informed Deputy City Attorney Dan Maguire that he would be asking for his legal opinion on the issue of public service credit as it relates to Mr. Paul Horcher's request. (See Item #5)

15. Closed Session

The Retirement Board met in closed session pursuant to Government Code sec. 54956.9(a); Administrative Code sec. 67.10. regarding Montoya v. Retirement Board, San Francisco Superior Court No. 321839 and Mr. William Setzler.

11:15 am to 11:35 am. The Retirement Board met in Closed Session
11:30 am Commissioner Wright left the meeting

Deputy City Attorney Dan Maguire reported that the Retirement Board met in closed session and voted to not accept new applications which were filed by or on their behalf of Messrs. Montoya and Setzler and directed the City Attorney to advise counsel for both Messrs. Montoya and Setzler of this decision.

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Casciato, to instruct the City Attorney to advise counsel for Mr. Montoya and Mr. Setzler that the Retirement System would take no action on their second applications for disability retirement.

Approved by the following vote:
Ayes: Casciato, Driscoll, Kim, Meiberger
Absent: Ellington, Sandoval, Wright

16. Adjournment

There being no further business, the Board adjourned its meeting at 11:36 am

Respectfully submitted,

Clare M. Murphy
Executive Director

Please Note: The minutes of this meeting set forth actions taken by the Retirement Board on the matters stated but not necessarily in the chronological sequence in which the matters were considered.

MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is dedicated to securing, protecting and prudently investing the pension trust assets, administering mandated benefit programs, and providing promised benefits.

Tuesday, June 8, 2004
8:30 AM

DOCUMENTS DEPT.
JUL 19 2004
SAN FRANCISCO
PUBLIC LIBRARY

Roll Call:

Retirement Board
Present: E. David Wellington, President
Joseph Driscoll, Vice-President
Al Casciato, Commissioner (noted present at 8:40 am)
Michael Kim, Commissioner
Herb Meiberger, Commissioner
Brenda Wright, Commissioner

Absent: Gerardo Sandoval, Supervisor

Retirement System:
Present: Clare M. Murphy, Executive Director of the Retirement System

SPECIAL ORDER OF BUSINESS

Election of Retirement Board Officers (President and Vice-President)

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Wright, to elect Joseph Driscoll as President.

Approved by the following vote:
Ayes: Driscoll, Ellington, Kim, Meiberger, Wright
Absent: Casciato, Sandoval

It was moved by Commissioner Kim, seconded by Commissioner Driscoll to elect Brenda Wright as Vice President.

Approved by the following vote:
Ayes: Driscoll, Ellington, Kim, Meiberger, Wright
Absent: Casciato, Sandoval

8:35 am Commissioner Ellington left the meeting

PUBLIC COMMENT

Members of the public shall have an opportunity to address the Retirement Board on items of interest to the public that are within the subject matter jurisdiction of the Retirement Board, including items being considered today. Members of the public may address the Retirement Board at the beginning of the meeting or when the subject of their interest on today's agenda is being considered. Members of the public may address the Retirement Board for up to five minutes. The President of the Retirement Board may limit the total testimony to 30 minutes.

President Driscoll reviewed the Public Comment procedures for the attendees.

No Public Comment was offered.

REGULAR CALENDAR

1. Minutes of the May 11, 2004 Board Meeting

   Action: It was moved by Commissioner Meiberger, seconded by Commissioner Wright, to approve the minutes of the May 11, 2004 Retirement Board Meeting as amended.

   Approved by the following vote:
   Ayes: Driscoll, Kim, Meiberger, Wright
   Absent: Casciato, Ellington, Sandoval

2. Report from the Benefit Interpretation Committee (BIC)
   Action: This item was removed from the Calendar.

3. Request for Purchase of Public Service by Paul Horcher
   Action: This item was removed from the Calendar at the request of Mr. Horcher's attorney.

4. Old and Ongoing Business List
   Shauna Rose, Executive Assistant, presented a written and oral report on this item.

   This was an informational item only, no action taken.

5. Request to Declare a Vacancy on the Retirement Board Effective February 20, 2005
   Shauna Rose, Executive Assistant, presented a written and oral report on this item.

   Note for the Record: When Commissioner Casciato arrived later in the meeting, he informed the Board that it was his intent to run for re-election to the Retirement Board.

   Action: It was moved by Commissioner Wright, seconded by Commissioner Kim, to declare a vacancy on the Retirement Board effective February 20, 2005.

   Approved by the following vote:
   Ayes: Driscoll, Kim, Meiberger, Wright
   Absent: Casciato, Ellington, Sandoval

8:40 am Commissioner Casciato arrived at the meeting

6. **Presentation of Proposed Incompatible Activities Policy**
Clare Murphy, Executive Director, presented a written and oral report on this item.

In response to Commissioner Wright's question, Ms. Murphy explained that the Incompatible Activities Policy would not replace the Board's Code of Conduct Policy.

This was an informational item only, no action taken.

7. **Approval of Adjustment of Retirement Allowance (Requires Ballot Vote)**
   - **John H. Burbank, II**

Action: The Board, by individual ballot vote, unanimously approved an adjustment of Disability Retirement Allowance for John H. Burbank, II

Approved by the following vote:
Ayes: Casciato, Driscoll, Kim, Meiberger, Wright
Absent: Ellington, Sandoval

8. **Report from the May 6, 2004 Meeting of the Governance Committee**
Al Casciato, Chair of the Governance Committee gave an oral report on the meeting of May 6,2004.

This was an informational item only, no action taken.

- **Review Results of 2003 Board Development Questionnaire**

This was an informational item only, no action taken.

- **Review and Approval Governance Consultant**

Clare Murphy, Executive Director presented an oral and written report on this item.

The Board reviewed Governance consultant and engaged in a question and answer session.

Commissioner Meiberger felt it important and a useful exercise to prepare a request for Proposal to search for a Governance consultant.

Action: It was moved by Commissioner Ellington, seconded by Commissioner Wright, to approve a five (5) year contract with Cortex Applied Research as the Retirement Board's Governance Consultant.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Wright
Noes: Meiberger
Absent: Sandoval

- **Review and Approval of Governance Policy Amendments:**
Monitoring and Reporting Policy
Board Education and Travel Policy
Staff Education and Travel Policy

Clare Murphy, Executive Director, presented an oral and written report on the amendments to the policies.

The Board reviewed Governance consultant and engaged in a question and answer session. Commissioner Ellington suggested that the word "Seminars" be added to the title of Appendix 2 so that it would read, "RECOMMENDED CONFERENCES AND SEMINARS".

Action: It was moved by Commissioner Ellington, seconded by Commissioner Casciato, to approve the Monitoring and Reporting Policy, the Board Education and Travel Policy and the Staff Education and Travel Policy as amended.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Wright
Noes: Meiberger
Absent: Sandoval

9. CONSENT CALENDAR

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

Executive Director, Clare Murphy requested that Item 9d be removed from the Consent Calendar as the applicant has informed the Retirement System that she does not wish to dismiss her disability application.

Action: It was moved by Commissioner Casciato, seconded by Commissioner Meiberger, to approve the Consent Calendar with the exception of Item 9d.

Approved by the following vote:
Ayes: Casciato, Driscoll, Kim, Meiberger, Wright
Absent: Ellington, Sandoval

9a. Voluntary Retirement Board List No. 12-03

9b. Decision of Hearing Officers

Luisa Chavira Effective Date: 11/25/03	1636 Health Care Billing Clerk II DPH/SFGH	Ordinary Disability Retirement Granted
Christopher Diaz Effective Date: 01/29/04	H-2 Firefighter Fire Department	Industrial Disability Retirement / Stip Granted
William F. Ferguson Effective Date: 03/07/03	H-2 Firefighter Fire Department	Industrial Disability Retirement / Stip Granted
Barney Gomez Effective Date: 02/1/04	9163 Transit Operator Muni	Ordinary Disability Retirement Granted
Preston D. Gresham Effective Date: 01/01/04	9160 Transit Operations Specialist - Muni	Ordinary Disability Retirement/Vesting Granted
Lawrence Ho Effective Date: 01/05/03	H-3 Firefighter Fire Department	Industrial Disability Retirement Denied
Rita S. Losch Effective Date: 11/04/03	1426 Senior Clerk Typist S.F. Community College District	Ordinary Disability Retirement/Vesting Granted

William J. Peters Effective Date: 06/01/98	3417 Gardner SFUSD	Ordinary Disability Retirement Granted
Anthony Pulvirenti Effective Date: 02/03/03	Q-4 Police Officer Police Department	Industrial Disability Retirement / Stip Granted
Douglas P. Roberts Effective Date: 06/28/03	H-2 Firefighter Fire Department	Industrial Disability Retirement / Stip Granted
Kristie M. Streng	8304 Deputy Sheriff Sheriff's Department	PERS Disability Retirement Granted
Stephine Tom Effective Date: 2/28/03	2708 Custodian SFUSD	Ordinary Disability Retirement Denied
Carole A. Van Dyke Effective Date: 11/01/03	1244 Sr. Personnel Analyst Public Utilities Commission	Ordinary Disability Retirement / Stip Granted

9c. Rehearing

Jonna Harlan	8310 Sheriff Lieutenant Sheriff's Department	PERS Industrial Disability Ret. Denied

9d. Dismissal of Ordinary Disability Retirement Application ***(Item 9d was Removed from the Calendar)***

Barbara Savage	Retirement #78371	Ordinary Disability Retirement

9e. Approval of Request for Travel for E. David Ellington, Commissioner, to Travel to New York, NY on June 24-25, 2004 for the Private Equity Analyst – Limited Partners Summit.

9f. Approval of Request for Travel for Michael Kim, Commissioner, to travel to Jackson Hole, WY on July 18-21, 2004 for the World Pension Forum Summer Symposium.

9g. Approval of Request for Travel for Herb Meiberger, Commissioner, to Travel to Washington, D.C on September 30 – October 1, 2004 for the 2nd Annual Art of Indexing Conference.

10. Executive Director's Report

Executive Director, Clare Murphy, explained that the issues associated with the SFUSD payroll have been rectified and the erroneous data has been corrected. The SFUSD payroll were reported in a timely manner for the first time in many, many years.

Ms. Murphy updated the Board on labor negotiations. Ms. Murphy explained that the City has reached agreement with all labor organizations with the exception of the Firefighters, Local 798. The majority of the City employees will continue to pay the 7.5% retirement contribution. With respect to SEIU, effective 7/1/05, the City will begin to pay 2.5% of the required participants' contribution and there are some other changes with respect to a certain group of employees of the Municipal Railway. Staff will be responsible to work with the respective payroll departments to ensure that these changes are accurately implemented and that the contribution flow is properly collected.

Ms. Murphy updated the Board on the SFERS budget for Fiscal Year 2004-05, explaining that staff met with the Budget Analyst of the Board of Supervisors on June 7, 2004. The areas of significant concern relate to the City Attorney's office and outside legal services. The Budget Analyst has identified the Actuary

position and will reduce the budgeted salary to a 10-month salary since the position is currently vacant. The Board of Supervisors will consider the budget beginning on June 16th with final consideration on Monday, June 28, 2004.

Ms. Murphy updated the Board on the recruitment for the Actuary position noting that ads were placed in the San Diego and Los Angeles newspapers. To date, no qualified responses have been received. The deadline for application remains open until the position is filled.

Commissioner Meiberger suggested that perhaps the salary range for the Actuary position should be more flexible. Ms. Murphy explained that the Personnel Committee would review any steps for the recruitment of this position.

Ms. Murphy updated the Board on the status of the Charter Amendments proposed for the November, 2004 ballot:

- Supervisor Hall has introduced a Charter Amendment to amend the police and fire plan provisions to increase the "death in the line of duty" survivor benefit to 100% of pension after the member would have qualified for retirement. There are 9 individuals that SFERS has identified whose ultimate benefits might be affected by this Charter Amendment. There are policy questions relating to the Federal benefits that are also payable to some "death in the line of duty" survivors.

- Supervisor Sandoval's 3% at 60 Charter Amendment to improve miscellaneous benefits will most likely be tabled.

- Supervisor Daly introduced a proposal to amend the health benefit provisions, which would pro-rate health coverage based on years of service. It is not clear whether this proposal will be considered.

Ms. Murphy provided a list of educational opportunities for Board members. If any Board member is interested in attending any of these events, they should contact her office.

Ms. Murphy provided the Board with a Forward Calendar, which previews the next 6 months to give the Retirement Board a preview of some of the items to be considered at future meetings.

INVESTMENT CALENDAR

11. **Report on the Performance of the Retirement Fund for the Quarter Ending March 31, 2004**
David Kushner, Deputy Director for Investments and Leslie Kautz, representing Angeles Investment Advisors, presented a written and oral report on this item.

9:25 am. Commissioner Ellington returned to the meeting

This was an informational item only, no action taken.

12. **Report of Brokerage Commissions Generated by the Retirement Fund During the Quarter Ending March 31, 2004**
David Kushner, Deputy Director for Investments, presented a written and oral report on this item.

Commissioner Wright requested staff to provide to the Board a report identifying minority/women business enterprise commission generation.

This was an informational item only, no action taken.

13. Report on Manager Monitoring List – Activities
David Kushner, Deputy Director for Investments, presented a written and oral report on this item.

This was an informational item only, no action taken.

14. Report from the May 18, 2004 Meeting of the Public Investment Committee
Brenda Wright, Chair of the Public Investment Committee gave an oral report on the meeting of May 18, 2004:

This was an informational item only, no action taken.

15. Approval of Recommendation for Emerging Manager Program Semi Finalists
David Kushner, Deputy Director for Investments, Carl Wilberg, Senior Investment Advisor, and Leslie Kautz, representing Angeles Investment Advisors, presented a written and oral report on this item.

10:38 a.m. Commissioner Casciato left the meeting

Action: It was moved by Commissioner Ellington, seconded by Commissioner Wright, to approve the staff recommendation to interview the five semi-finalists in the Emerging Manager Program.

Approved by the following vote:
Ayes: Driscoll, Ellington, Wright
Noes: Kim, Meiberger
Absent: Casciato, Sandoval

10:50-11:00 a.m. the Retirement Board recessed

16. Report on Performance of Alternative Investment Program for Period Ended December 31, 2003
David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Advisor, Ken Wisdom and Brian Murphy, representing Portfolio Advisors, presented a written and oral report on this item.

President Driscoll requested that staff provide the percentage of capital deployed and the partnership count rate.

A discussion ensued regarding showing the performance in dollar weighted and/or time weighted terms.

In response to Commissioner Meiberger's suggestion that that Northern Trust and Portfolio Advisors calculate the methodology in the same manner, Mr. Brian Nadeau of Northern Trust, explained that Northern Trust is not "blending" the two methodologies.

This was an informational item only, no action taken.

17. Report from the May 18, 2004 Meeting of the Alternative Investment Committee
Joe Driscoll, Chair of the Alternative Investment Committee gave an oral report on the meeting of May 18,2004, explaining that the Committee discussed disclosure policies for speaking and dealing with media inquiries. Staff is receiving input on how other funds are addressing this issue and will consider this matter at the August meeting.

This was an informational item only, no action taken.

18. Deputy Director for Investment's Report

Deputy Director for Investments David Kushner reported that as of May 31, 2004 the Fund was valued at approximately $11.7 billion dollars. Mr. Kushner provided the Board with reports detailing movement of funds between sub-asset classes for the month ended May 31, 2004, as well as current asset and sub-asset class allocation information. He also informed the Board that sufficient cash has been set aside for payment of benefits for the next three months.

Mr. Kushner reported that the Fund continues to be underweight the approved Asset Allocation range in Real Estate, where Staff continues to search for attractive investment opportunities.

Mr. Kushner further reported to the Board that the Fund voted against the acquisition of MONY Group by AXA, and for the merger of JP Morgan Chase and Bank One, both of which were approved by majority of shareholders. Additionally, the Fund voted against the shareholder proposal for Nabors Industries to reincorporate from Bermuda to Delaware. Lastly, he reported to the Board that, in keeping with the Board established proxy-voting guidelines, Staff voted in favor of a shareholder proposal to split the roles of Chairman and CEO at Exxon Mobil. Mr. Kushner reported to the Board that ISS, the Fund's Proxy Consultant, abstained from making a recommendation on this issue due to a conflict of interest, as the shareholder proponent is a major investor in ISS.

Proxy Votes: Union Planter's Corp and Regions Financial Corp

Action: On motion of Commissioner Ellington, seconded by Commissioner Kim, the Board voted the following proxy:

The Board voted that the San Francisco Employees' Retirement System cast all its proxy votes in SUPPORT of the merger between Union Planter's Corp and Regions Financial Corp.
In Favor: Driscoll, Ellington, Kim, Meiberger, Wright
Absent: Casciato, Sandoval

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

19. Approval of City and County of San Francisco Request for Proposal (RFP) for Plan Administrator for the Supplemental Tax Deferred Plan

Carol Cypert, Deferred Compensation Manager provided a draft Request for Proposal for Plan Administrator for the Supplemental Tax Deferred Plan. Ms. Cypert informed the Board that the issue date had been modified to June 15, 2004 and the response date had been modified to July 15, 2004.

Board members requested that a question be added to the RFP regarding investment options.

11:45 am Commissioner Casciato returned to the meeting

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Casciato, to approved the City and County of San Francisco Request for Proposal (RFP) for Plan Administrator for the Supplemental Tax Deferred Plan.

Approved by the following vote:
Ayes: Casciato Driscoll, Ellington, Kim, Meiberger, Wright
Absent: Sandoval

20. Deferred Compensation Manager Report

Carol Cypert, Deferred Compensation Manager, presented an updated timeline for the Supplemental Tax Deferred Plan with Board members.

Clare Murphy, Executive Director and Ms. Cypert engaged in a lengthy discussion with Board members regarding the operational tasks of setting up the Plan.

Ms. Cypert also presented a monthly activity report from ING.

RETIREMENT BOARD MEMBER'S REPORT

20. Board Member's Report

Commissioner Ellington gave an oral report on the World Pension Forum Conference May 13-15, 2004 Shanghai and Hong Kong.

Commissioner Meiberger gave an oral report on the June 4, 2004 CALAPRS Trustees' Round Table Conference in Costa Mesa, CA. Commissioner Ellington also attended this conference.

Commissioner Ellington then commented on the inappropriate behavior of another Board member making inaccurate statements in public. He referenced a statement made by Commissioner Meiberger at the CALAPRS conference that, in his opinion, gave the wrong impression of the San Francisco Retirement Board.

12:22 pm Commissioner Ellington left the meeting

In response to the statement made by Commissioner Ellington, Commissioner Meiberger explained that he was stating the facts, that his duties as a trustee for the Retirement Board supersede his duties as an employee of the Retirement System.

Commissioner Wright suggested that the City Attorney review the Board's Code of Conduct Policy to ensure that it is clearly defined that board members show respect for each other, work with professionalism and define what steps are available when a fellow member fails to comply with said policy.

22. Adjournment

There being no further business, the Board adjourned its meeting at 12:30 p.m. in memory of Bill Murphy, former member of the San Francisco Retirement Board, who passed away on May 25, 2004.

Respectfully submitted,

Clare M. Murphy
Executive Director

Please Note: The minutes of this meeting set forth actions taken by the Retirement Board on the matters stated but not necessarily in the chronological sequence in which the matters were considered.

MINUTES

RETIREMENT BOARD

CITY AND COUNTY OF SAN FRANCISCO

30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is dedicated to securing, protecting and prudently investing the pension trust assets, administering mandated benefit programs, and providing promised benefits.

Tuesday, July 13, 2004
8:30 AM

DOCUMENTS DEPT.
AUG 12 2004
SAN FRANCISCO
PUBLIC LIBRARY

Roll Call:

Retirement Board

Present:	Joseph Driscoll, President
	Al Casciato, Commissioner
	E. David Ellington, Commissioner (Noted present at 8:45 am)
	Michael Kim, Commissioner
	Herb Meiberger, Commissioner
	Gerardo Sandoval, Supervisor (Noted present at 8:36 am)
Absent:	Brenda Wright, Vice President

Retirement System:
Present: Clare M. Murphy, Executive Director of the Retirement System

PUBLIC COMMENT
Members of the public shall have an opportunity to address the Retirement Board on items of interest to the public that are within the subject matter jurisdiction of the Retirement Board, including items being considered today. Members of the public may address the Retirement Board at the beginning of the meeting or when the subject of their interest on today's agenda is being considered. Members of the public may address the Retirement Board for up to five minutes. The President of the Retirement Board may limit the total testimony to 30 minutes.

President Driscoll reviewed the Public Comment procedures for the attendees.

No Public Comment was offered.

REGULAR CALENDAR

1. **Minutes of the June 8, 2004 Board Meeting**

   Action: It was moved by Commissioner Casciato, seconded by Commissioner Kim, to approve the minutes of the June 8, 2004 Retirement Board Meeting as corrected.

   Approved by the following vote:
   Ayes: Casciato, Driscoll, Kim, Meiberger
   Absent: Ellington, Sandoval, Wright

2. **Hearing to Consider the Request for Purchase of Public Service by Paul Horcher**
   This item was continued to the meeting of August 10, 2004 at the request of Mr. Horcher's attorney.

3. **Old and Ongoing Business List**
Shauna Rose, Executive Assistant, presented a written and oral report on this item.

Action: It was moved by Commissioner Casciato, seconded by Commissioner Meiberger, to approve the Old and Ongoing Business List as presented.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Meiberger
Absent: Kim, Sandoval, Wright

4. **Semi Annual Review of the Disability Application Process**
Shauna Rose, Executive Assistant, presented a written and oral report on this item.

This was an informational item only, no action taken.

5. **Approval of Statement of "Incompatible Activities" Per Proposition E (Ethics Commission)**
Clare Murphy, Executive Director, and Dan Maguire, Deputy City Attorney, presented a written and oral report on this item.

The Board reviewed the Incompatible Activities statement, suggested a few language changes and engaged in a question and answer session.

Action: It was moved by Commissioner Ellington, seconded by Commissioner Meiberger, to approve the Statement of "Incompatible Activities" Per Proposition E (Ethics Commission), for the Retirement Board and Retirement System Employees, with amendments.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Meiberger
Absent: Kim, Sandoval, Wright

6. **President's Report on Appointments to the Retirement Board Committees**
President Driscoll presented a written and oral report on this item.

Action: It was moved by Commissioner Casciato, seconded by Commissioner Ellington, to approve appointments to the Retirement Board Committees as follows:

Committee	Chair	Members
Alternative Investments	Joe Driscoll	E. David Ellington, Herb Meiberger
Benefit Interpretation Review	Gerardo Sandoval	Committee of the Whole
Deferred Compensation Plan Investment Review	Herb Meiberger	Joe Driscoll, Michael Kim
Finance	Michael Kim	Joe Driscoll, Herb Meiberger
Governance	E. David Ellington	Brenda Wright, Al Casciato
Personnel	Al Casciato	Brenda Wright, Joe Driscoll
Public Investment	Brenda Wright	Michael Kim, Al Casciato

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Meiberger
Absent: Kim, Sandoval, Wright

7. **Approval of Adjustment of Retirement Allowance (Requires Ballot Vote)**
   - Vickie Rooker

Action: The Board, by individual ballot vote, unanimously approved an adjustment of Disability Retirement Allowance for Vickie Rooker.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Meiberger
Absent: Kim, Sandoval, Wright

8. Request to Enclose Combined Charities Campaign correspondence in the August or September Retirement Allowances

Action: It was moved by Commissioner Casciato, seconded by Commissioner Meiberger, to approve the Request to Enclose Combined Charities Campaign correspondence in the August or September Retirement Allowances.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Meiberger
Absent: Kim, Sandoval, Wright

9. CONSENT CALENDAR

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

Action: It was moved by Commissioner Ellington, seconded by Commissioner Meiberger, to approve the Consent Calendar.

Approved by the following vote:
Ayes: Casciato, Ellington, Meiberger
Noes: Driscoll
Absent: Kim, Sandoval, Wright

9a. Voluntary Retirement Board List No. 1-04

9b. Decision of Hearing Officers

Mark Barbano Effective Date: 01/18/03	H-40 Battalion Chief Fire Department	Industrial Disability Retirement/Stip Granted
Melva E. Burns Effective Date: 07/01/03	7410 Automotive Service Worker Municipal Railway	Ordinary Disability Retirement/Vest Granted
Kenneth Coleman Effective Date: 01/01/04	9131 Station Agent Muni	Ordinary Disability Retirement/Stip Granted
John J. Farrell Effective Date: 05/24/03 Donald L. Frediani Effective Date 03/17/04	H-2 Firefighter Fire Department H-30 Fire Captain Fire Department	Industrial Disability Retirement/Stip Granted Industrial Disability Retirement/Stip Granted
Sherwin Herbert Effective Date: 01/17/04	7371 Electrical Transit System Mechanic – Muni	Ordinary Disability Retirement Granted

Mark Johnson Effective Date: 10/01/03	7382 Automotive Mechanic Assistant Supervisor - Muni	Ordinary Disability Retirement Granted
Michael F Kilgariff Effective Date: 01/26/04	H-2 Firefighter Fire Department	Industrial Disability Retirement/Stip Granted
Henry Lim Effective Date: 03/01/04	5364 Civil Engineer Associate I Department of Public Works	Ordinary Disability Retirement/Vesting Granted
Elwood F Nestler Effective Date: 03/01/02	9163 Transit Operator Muni	Ordinary Disability Retirement/Stip Granted
Charles Rincon Effective Date: 09/24/04	Q-4 Police Officer III Police	Industrial Disability Retirement Granted
David Rios Effective Date: 03/03/01	Q-2 Police Officer Police	Industrial Disability Retirement Denied
Manuel Vasquez Effective Date: 01/27/03	H-28 Lieutenant, Division of Training Fire Department	Industrial Disability Retirement/Stip Granted
Julieta L. Vigo Effective Date: 04/01/02	2320 Registered Nurse DPH/SFGH	Ordinary Disability Retirement Granted
Willie Villafuerte Effective Date: 02/13/04	H-2 Firefighter Fire Department	Industrial Disability Retirement/Stip Granted
Keith Wilkinson Effective Date: 10/01/03	7355 Truck Driver SFUSD	Ordinary Disability Retirement Granted
Elmer Williams Effective Date: 01/17/04	7514 General Laborer Public Works	Ordinary Disability Retirement/Vesting Granted
Thomas A. Williams Effective Date: 3/17/04	9163 Transit Operator Municipal Railway	Ordinary Disability Retirement Granted
Nicholas K. Yarbrough Effective Date: 03/01/04	7215 General Laborer Supervisor Public Works	Ordinary Disability Retirement Granted

9c. **Approval of Request for Travel Herb Meiberger, Commissioner, to attend the Institutional Investor Public Funds Symposium, on July 21-23, 2004, in San Diego, CA**

9d. **Approval of Request for Travel for E. David Ellington, Commissioner, to travel to Jackson Hole, WY on July 18-21, 2004 for the World Pension Forum Summer Symposium.**

10. **Executive Director's Report**

Ms. Murphy explained that the Board of Supervisors has adopted an interim budget that will identify positions eliminated in City departments. The Controller will then certify those positions for the early retirement program, transmit the information to the Department of Human Resources which will send SFERS the early retirement offer to the designated candidates. The City has identified over 500 positions that will be eliminated but the number of individuals eligible for the Proposition F Early Retirement Program remains unclear. The final budget will not be considered until the end of August.

Ms. Murphy explained that negotiations between the City and labor organizations have concluded and were done in a timely manner so SFERS could collect member contributions for retirement purposes.

With regard to implementation of Memoranda of Understanding retirement contribution provisions, there are only two examples where the Employer continues to pay contributions on behalf of the participants: the SFUSD continues to have a portion of member contributions paid by the District and the Transport Workers Union operators have a 100% employer paid employee contribution.

Ms. Murphy explained that the Board's Rules Committee is considering a Charter Amendment for submission to the voters in November [which will be considered by full Board of Supervisors on July 20th] to increase the survivor allowance after a member would have qualified for service retirement in case of death in the line of duty. This proposal would increase survivor benefits payable after the member would have qualified for retirement for post-1976 plan safety members from 75% to 100% of the pension which would have been payable to the member. Another Charter Amendment that was considered would address post-retirement medical coverage to retirees, and define who is a qualified party to receive retiree health coverage. This proposal has not been submitted for the November ballot.

Ms. Murphy noted that the actuary position remains open and since the last meeting of the Retirement Board only one application was received. Staff will work with the Personnel Committee to determine the next steps.

Ms. Murphy provided a list of educational opportunities for Board members. If Board members are interested in attending any of these events, they should contact her office.

INVESTMENT CALENDAR

11. **Approval of Recommendation to Delay Consideration of Emerging Manager Program**
David Kushner, Deputy Director for Investments, Carl Wilberg, Senior Investment Officer, and Leslie Kautz, representing Angeles Investment Advisors, presented a written and oral report on this item.

The Board engaged in a question and answer session regarding the time line to reissue the Emerging Manager Program, the criteria used to evaluate firms, and the mechanism to re-survey the potential managers.

Supervisor Sandoval queried staff on the need to delay the program for 18 months and was disappointed of the outcome of the Request for Proposal process.

Action: Commissioner Meiberger made a motion to abstain citing that the he was not able to perform due diligence and review the Request for Proposals received for the Emerging Manager Program. Commissioner Sandoval seconded this motion.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Meiberger, Sandoval
Absent: Kim, Wright

Action: It was moved by Commissioner Ellington, seconded by Commissioner Driscoll, to approve the Recommendation to Delay Consideration of Emerging Manager Program and to reconsider the program by the December 2005 meeting of the Retirement Board.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington
Noes: Sandoval
Abstain Meiberger
Absent: Kim, Wright

12. **Approval of Recommendation of Parameters for Purchase and Sale of Secondary Partnership Interests**
David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, Brian Murphy and Ken Wisdom representing Portfolio Advisors, presented a written and oral report on this item.

A lengthy discussion ensued regarding whether or not to implement the "sale" component of the secondary partnership interest and to only administer the "purchase". Additional consideration included the merits of improving the portfolio by unloading funds that have under-performed and the reputation that might be associated with the Retirement System by taking this action.

Mr. Kushner said there are firms that have already expressed an interest in purchasing a secondary partnership interest.

Action: It was moved by Commissioner Sandoval, seconded by Commissioner Ellington, to approve the Parameters for Purchase and Sale of Secondary Partnership Interests.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval
Absent: Wright

9:50-10:00 am the Retirement Board recessed.

13. **Approval of Recommendation for Request for Proposal for Large Cap Growth Equity Manager**
David Kushner, Deputy Director for Investments, Carl Wilberg, Senior Investment Officer, and Leslie Kautz, representing Angeles Investment Advisors, presented a written and oral report on this item.

Action: It was moved by Commissioner Ellington, seconded by Commissioner Meiberger, to approve the Recommendation for Request for Proposal for Large Cap Growth Equity Manager

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Meiberger, Sandoval
Absent: Kim, Wright

14. **Approval of Recommendation to Commit up to $15 million with Knightsbridge Fund VI, L.P.**
David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, Brian Murphy and Ken Wisdom representing Portfolio Advisors, presented a written and oral report on this item.

The Board engaged in a question and answer session about funding levels with Knightsbridge Fund VI, L.P.

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Ellington to approve the Recommendation to Commit up to $15 Million with Knightsbridge Fund VI, L.P.

Approved by the following vote:
Ayes: Casciato, Driscoll, Elliington, Kim, Meiberger, Sandoval
Absent: Wright

15. **Approval of Recommendation to Increase Allocation to GMAC under Existing Co-Investment Program by $50 Million**
David Kushner, Deputy Director for , Don Holcher, Senior Investment Officer, Micolyn Yalonis, representing the Townsend Group presented a written and oral report on this item.

The Board engaged in a question and answer period.

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Casciato, to Increase Allocation to GMAC under Existing Co-Investment Program by $50 Million

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval
Absent: Wright

9:50 am Commissioner Sandoval left the meeting.

16. Deputy Director for Investments Report

Deputy Director for Investments David Kushner reported that as of June 30, 2004 the fund was valued at approximately $11.8 billion. Mr. Kushner provided the Board with reports detailing movement of funds between sub-asset classes for the month ended June 30, 2004, as well as asset and sub-asset class allocation information for the same period. He also informed the Board that sufficient cash has been set aside for payment of benefits for the next two months.

Mr. Kushner reported to the Board that $60 million was transferred from cash to the Internal Fixed Income account, and approximately $100 million was shifted from Fisher Francis to Bridgewater, a shift within the International Fixed Income sub-asset class. He reported that the Fund continues to be underweight the approved Asset Allocation range in Real Estate, where Staff continues to search for attractive investment opportunities. Additionally, the DDI noted that as of June 30, the Fund was outside the target bands for Small Cap Equity. Staff is currently reviewing reallocation of assets to reduce this exposure to within target ranges.

Lastly, Mr. Kushner reported to the Board that staff voted the following proxies during the past month:

- Acquisition of International Multifoods by J.M. Smucker (Staff voted **FOR**)
- Merger of Apogent Technologies and Fisher Scientific (Staff voted **FOR**)
- Acquisition of Westport Resources by Kerr McGee (Staff voted **FOR**)
- Merger of Wellpoint Health Networks and Anthem Inc. (Staff voted **FOR**)

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

17. Report from the Deferred Compensation Plan Review Committee Meeting held on Tuesday, June 15, 2004

Herb Meiberger, Chair of the Deferred Compensation Plan Review Committee provided an oral report of the meeting held on Tuesday, June 15, 2004. He explained that the Committee discussed the investment fund line-up selection process, reasoning for the generic brand naming convention, and change to the Self-Directed Brokerage Account.

18. Approval of the Core Investment Fund Line-up and Mapping for the 457 Deferred Compensation Plan.

Carol Cypert, Deferred Compensation Manager provided a written and oral report on Core Investment Fund Line-up and Mapping for the 457 Deferred Compensation Plan.

Ms. Cypert, requested Board approval of the core investment fund line-up and mapping, new generic brand naming convention ("SFDCP"), and conversion from the ING Ultimate Account to Harris*direct* Self-Direct Brokerage Account. Changes are to take effect on September 27, 2004.

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Casciato, to approve the Core Investment Fund Line-up and Mapping for the 457 Deferred Compensation Plan.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Meiberger
Absent: Kim, Sandoval, Wright

19. **Review of Administration of Closed-End and Open-End Mutual Funds in the Self-Directed Brokerage Option and Approval of Self-Directed Brokerage Option Vehicles.**
Carol Cypert, Deferred Compensation Manager provided a written and oral report on this matter.

A lengthy discussion ensued about the risks involved with closed-end mutual funds and the costs associated with these funds and the monitoring required.

Mike Hebel, representing the Police Officers Association, voiced his support to maintain the self directed brokerage account as part of the asset allocation and to include closed end mutual funds.

Commissioner Meiberger gave a synopsis on the material he presented to the Board when he searched on the Internet on the subject of closed end funds. He spoke of the advantages and the merits of having the option to trade closed end funds.

Commissioner Meiberger made a motion to include Closed-End and Open-End Mutual Funds in the Self-Directed Brokerage Option and Approval of Self-Directed Brokerage Option Vehicles. The motion failed due to the lack of a second.

President Driscoll referred this item to the Deferred Compensation Review Committee for further consideration.

20. **Deferred Compensation Manager Report.**
Carol Cypert, Deferred Compensation Manager, presented an oral report on the status of the Supplemental Tax Deferred Plan. She also provided a monthly activity report from ING to the Board.

RETIREMENT BOARD MEMBER'S REPORT

21. **Board Member's Report**
Commissioner Ellington gave an oral report on the Private Equity Analyst – Limited Partners Summit held in New York, NY on June 24-25, 2004

Commissioner Meiberger asked Commissioner Ellington to summarize the salient points of the conference in writing.

Both Commissioner Ellington and Meiberger requested that the Board's Travel and Education Policy be calendared for the next meeting for review and discussion.

Commissioner Meiberger then commented that he felt it was unprofessional of Commissioner Ellington to leave the meeting of June 8, 2004 after making, what he felt were, misstatements about Commissioner Meiberger's desire to review Request for Proposals (RFP). Commissioner Meiberger's view of the CALAPRS Trustee roundtable was to be able to discuss issues and noted that he has since sent an electronic mail detailing his issue relating to RFPs so that he can conduct his due diligence.

Jean Thomas, explained that she has spoken to a number of retirees and they are increasingly concerned about the attack on the elected Board members, specifically Herb Meiberger. She said the Retirement Board has important issues to address and should focus on those matters rather than attacking other board members.

Commissioner Ellington responded to the statement made by Commissioner Meiberger and said that he could review RFPs and that he should communicate in an accurate fashion. It was his opinion that Commissioner Meiberger had not made an accurate statement. Commissioner Ellington further explained that he had spoken to two different managers at conferences who informed him that they were unwilling to respond to RFPs issued by the SFERS because of one specific commissioner. He said he would continue to challenge inaccurate information, as that was part of his duty as a fiduciary.

Commissioner Casciato asked if the Board approved him to attend the Pacific Pension Institute conference. He was advised that approval had been granted for all Board members to attend.

President Driscoll reviewed the Paul Horcher matter and discussed ground rules and process for the August 10, 2004 meeting for this agenda item:

1. The appellant and legal representative will then make their presentation to the Retirement Board. No more than ten (10) minutes will be afforded for this presentation.
2. Staff and City Attorney will have up to ten (10) minutes to reply.
3. Retirement Board members will engage in a question and answer session. No more than six (6) minutes will be afforded the question and answer session.
4. Upon appropriate motion, the Retirement Board will consider the matter and render its decision.

23. Adjournment

There being no further business, the Board adjourned its meeting at 12:50 p.m. in memory of Manuel Cervantes, father of Mark Cervantes of the San Francisco Retirement System, who passed away on Thursday, June 10, 2004.

Respectfully submitted,

Clare M. Murphy

Clare M. Murphy
Executive Director

Please Note: The minutes of this meeting set forth actions taken by the Retirement Board on the matters stated but not necessarily in the chronological sequence in which the matters were considered.

MINUTES

RETIREMENT BOARD

CITY AND COUNTY OF SAN FRANCISCO

30 Van Ness Avenue, Suite 3000

San Francisco, CA 94102

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is dedicated to securing, protecting and prudently investing the pension trust assets, administering mandated benefit programs, and providing promised benefits.

Tuesday, August 10, 2004
8:30 AM

DOCUMENTS DEPT.
SEP 21 2004
SAN FRANCISCO
PUBLIC LIBRARY

Roll Call:

Retirement Board

Present: Joseph Driscoll, President
Brenda Wright, Vice President
Al Casciato, Commissioner
E. David Ellington, Commissioner
Herb Meiberger, Commissioner

Absent: Michael Kim, Commissioner
Gerardo Sandoval, Supervisor

Retirement System:

Present: Clare M. Murphy, Executive Director of the Retirement System

PUBLIC COMMENT

Members of the public shall have an opportunity to address the Retirement Board on items of interest to the public that are within the subject matter jurisdiction of the Retirement Board, including items being considered today. Members of the public may address the Retirement Board at the beginning of the meeting or when the subject of their interest on today's agenda is being considered. Members of the public may address the Retirement Board for up to five minutes. The President of the Retirement Board may limit the total testimony to 30 minutes.

President Driscoll reviewed the Public Comment procedures for the attendees.

No Public Comment was offered.

REGULAR CALENDAR

1. **Minutes of the July 13, 2004 Board Meeting**

Action: It was moved by Commissioner Casciato, seconded by Commissioner Meiberger, to approve the minutes of the July 13, 2004 Retirement Board Meeting as presented.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Meiberger, Wright
Absent: Kim, Sandoval

2. **Hearing to Consider the Request for Purchase of Public Service by Paul Horcher**
Vince Courtney, representing Mr. Paul Horcher, explained the primary dispute is whether Mr. Horcher can purchase public service time for which he did not receive a salary. Mr. Horcher served on the board of the Diamond Bar Municipal Advisory Council. He attended Council meetings twice a month and although he did not receive a salary, he did receive other forms of compensation. Mr. Horcher was told by SFERS that he could not purchase his time because he did not meet the compensation requirement of the Administrative Code Section 16.29-7.1. Mr. Courtney referenced Charter Section A8.587 and said it was different from another Charter section, which says compensation, means all remuneration whether in cash or by other allowances.

Mr. Horcher explained at the time he received SFERS brochures on public service he began buying public service and all the time has added up to 16 years. He felt the Retirement System Public Service brochures were unclear. He is now short of one year of public service which would qualify him to be eligible for Proposition F, the Early Retirement proposal. He has spent $71,000 of his life savings to purchase all of his public service. He felt the Retirement System was preventing him from purchasing the time when he served on the Diamond Bar Municipal Advisory Council.

Deputy Director Jay Huish explained that Retirement staff considered Mr. Horcher's request to purchase public service and found that it did not meet two separate requirements:

1) No information was provided by the Los Angeles County Retirement System that reflect Mr. Horcher received compensation and he therefore failed to meet the statutory definition of the Administrative Code Section 16.29-7.1

2) The documentation provided by Los Angeles County did not qualify Mr. Horcher to purchase public service, because the public service needed to be covered by a local retirement system or by CalPERS.

Deputy City Attorney Dan Maguire explained that the language defines "compensation" as the cash one receives. Secretarial services, a meeting room, parking places, etc., are not considered compensation. Mr. Maguire further noted that both LACERA and CalPERS felt Mr. Horcher was not eligible for coverage under these systems.

Board members asked questions of Messrs. Courtney, Horcher and Retirement Staff relating to specific Charter sections, whether or not the public service could be counted when Diamond Bar was unincorporated. Mr. Courtney said that Mr. Horcher received other forms of compensation, in office space, use of public facilities, parking privileges and secretarial services.

Action: It was moved by Commissioner Ellington, seconded by Commissioner Meiberger, to deny the request of Mr. Paul Horcher to purchase public service with the Diamond Bar Municipal Advisory Council due to the failure of such service to meet the requirement for purchase of service in San Francisco Administrative Code Section 16.55-1.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Meiberger, Wright
Absent: Kim, Sandoval

9:40-9:50 am the Retirement Board recessed.

3. **Old and Ongoing Business List**
Shauna Rose, Executive Assistant, presented a written and oral report on this item.
The Board reviewed and discussed the items on the Old and Ongoing Business List and asked that the issues be updated for the next meeting.

Action: It was moved by Commissioner Ellington, seconded by Commissioner Casciato, to approve the Old and Ongoing Business List with revisions.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Meiberger, Wright
Absent: Kim, Sandoval

4. **Retirement System Travel Expense Report for the Period ending June 30, 2004**
Clare Murphy, Executive Director, presented an oral and written report on this item.

This was an informational item only, no action taken.

5. **CONSENT CALENDAR**
All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

Commissioner Meiberger requested that Item 5d be removed from the Consent Calendar and considered separately.

Action: It was moved by Commissioner Ellington, seconded by Commissioner Wright to approve the Consent Calendar with the exception of Item 5d.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Meiberger, Wright
Absent: Kim, Sandoval

5a. Voluntary Retirement Board List No. 2-04

5b. Decision of Hearing Officers

Richard Adkins Effective Date: 01/31/03	0382 Inspector Police Department	Industrial Disability Retirement/Stip Granted
John Belluomini Effective Date: 05/01/04	2708 Custodian SFUSD	Ordinary Disability Retirement/Stip Granted
Marie E. Blodgett Effective Date: 02/01/04	9703 Employment Specialist Dept of Human Services	Ordinary Disability Retirement Granted
Gladys H. Britton Effective Date: 12/01/03	9131 Station Agent Municipal Railway	Ordinary Disability Retirement/Stip Granted
Timothy Callen Effective Date: 06/07/03	H-20 Lieutenant Fire Department	Industrial Disability Retirement/Stip Granted

John Giannini Effective Date: 07/02/02	8324 Supervising Counselor Juvenile Probation	IDR/PERS Granted
Robert K. Kim Effective Date: 06/30/03	H-20 Lieutenant Fire Department	Industrial Disability Retirement/Stip Granted
Bruce G. Lonn Effective Date: 01/18/03	Q-62 Lieutenant III Police Department	Industrial Disability Retirement/Stip Granted
Aida F. Maron Effective Date: 04/01/03	1802 Research Assistant Police Department	Ordinary Disability Retirement/Vesting Granted
Clay A. Miller Effective Date: 11/01/03	2302 Nursing Assistant Department of Public Health	Ordinary Disability Retirement Granted
Dionne McCullar Effective Date: 12/01/03	Q-3 Police Officer II Police Department	Industrial Disability Retirement Granted
Johnnie Potts Effective Date: 01/16/04	9131 Station Agent Municipal Railway	Ordinary Disability Retirement/Vesting Granted
Rosia L. Robinson Effective Date: 01/01/04	8482 Crime Prevention Worker Police Department	Ordinary Disability Retirement/Vesting Granted
Gerald R. Shannon Effective Date: 06/30/03	H-30 Firefighter Fire Department	Industrial Disability Retirement/Stip Granted
Thomas J. Sweeney Effective Date: 07/02/03	Q-4 Police Officer III Police Department	Industrial Disability Retirement/Stip Granted
Kevin T. Walsh Effective Date: 05/02/03	H-20 Lieutenant Fire Department	Industrial Disability Retirement/Stip Granted

5c. Petition for Rehearing

Aundrea Johnson-Morris Effective Date: 5/17/02	8308 Sheriff Sergeant Sheriff's Department	PERS Disability Denied

Note for the Record: Item 5d was removed from the Consent Calendar and considered separately.

5d. Approval of Request for Travel for E. David Ellington, Commissioner, to travel to Boston, MA, to attend the Council of Institutional Investors 2004 Fall Meeting, on September 27-28, 2004.

Commissioner Meiberger noted the cost of the travel for the last quarter for Commissioner Ellington was high and did not want to approve the upcoming conference (Item 5d). He further stated that upon returning from a conference Board members are to submit written or oral reports and he had no recollection that this task had been fulfilled.

President Driscoll asked Vice President Wright to assume the Chair.

President Driscoll noted that the Travel Policy is not specific as to whether an oral or written report should be provided after a board member attends a conference. He noted the CII conference is normally held on the East Coast and is worthwhile.

Commissioners Casciato and Wright, [members of the Governance Committee], said the Committee is tracking travel requests and costs.

Commissioner Ellington noted that he was in compliance with the Board's Travel Policy and was able to travel more than other Board members do as he was not working full time. He has learned a lot from attending conferences and now better understands asset allocation, and the players in the investment field.

Action: It was moved by Commissioner Driscoll, seconded by Commissioner Casciato, to approve E. David Ellington, Commissioner, to travel request to Boston, MA, to attend the Council of Institutional Investors 2004 Fall Meeting, on September 27-28, 2004 with the understanding that a report will be provided about the conference.

Approved Item 5d by the following vote:
Ayes: Casciato, Driscoll, Ellington, Wright
Absent: Kim, Sandoval
Noes: Meiberger

President Driscoll then assumed the Chair.

5. Executive Director's Report

Clare Murphy, Executive Director, explained that all Memoranda of Understanding have been implemented with the exception of the chiefs of the Police and Fire Departments. Cost of Living Increases (COLA) will be made to the rank and file of the Police and Fire Departments at the end of October 2004. The COLA for the Fire and Police Chiefs cannot be determined until the MOU is signed and completed. All other Retirement System members have received their basic COLA on July 31, 2004.

Ms. Murphy referenced the City Attorney Memorandum relating to Political Activity by City Officers and Employees, which was included in the Board packet.

Ms. Murphy updated the Board on the Early Retirement Program and explained the process of how a member receives the early retirement offer. The Department of Human Resources has sent approximately 200 early retirement offer letters. The member has 30 calendar days to make the decision to take the early retirement offer.

Ms. Murphy outlined the Charter Amendments proposed for the November 2004 ballot which affect the Retirement System: Proposition E would enhance the survivor benefit in the event of death in the line of duty for police offices and firefighters, increasing the benefit from 75% to 100% of service retirement which would have been payable to the member at earliest eligibility had the member lived.

Ms. Murphy explained that the provisions of Charter Section A8.587, (Miscellaneous Plan, adopted in 2000) provide direct authority to the Executive Director to originate a disability retirement application for an individual who worked for the Department of Human Services. Ms. Muprhy used this authority after being contacted by the Intensive Care Unit staff at San Francisco General Hospital.

Ms. Murphy provided the Retirement Board a sample of the Retirement System's Annual Statement soon to be distributed. The statement will include an added feature of the years of service credit rendered in the plan. A response card will be included for members who have questions. Ms. Murphy commended Deputy Director Jay Huish and his team for their efforts for staff in calculating the service credit so that this information could be made part of the statement.

The Retirement Board congratulated Mr. Huish and his team for the added information and new look of the Annual Statement.

Ms. Murphy provided a list of educational opportunities for Board members. If Board members are interested in attending any of these events, they should contact her office.

Ms. Murphy provided the Board with a Forward Calendar, which previews the next 6 months to give the Retirement Board a preview of some of the items to be considered at future meetings.

INVESTMENT CALENDAR

7. **Approval for Recommendation of Currency Management Program Semi Finalist**
David Kushner, Deputy Director for Investments and Leslie Kautz, representing Angeles Investment Advisors, presented a written and oral report on this item.

Action: It was moved by Commissioner Casciato, seconded by Commissioner Ellington, to approve the Currency Management Program Semi Finalists List.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Meiberger, Wright
Absent: Kim, Sandoval

8. **Approval of Recommendation to Invest up to $10 million with Parish Capital Management**
David Kushner, Deputy Director for Investments, Ken Wisdom and Brian Murphy, representing Portfolio Advisors, presented a written and oral report on this item.

The Board reviewed and discussed the staff recommendation and asked questions of the staff.

Action: It was moved by Commissioner Ellington, seconded by Commissioner Wright, to approve the Recommendation to Invest up to $10 million with Parish Capital Management.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Meiberger, Wright
Absent: Kim, Sandoval

9. **Deputy Director for Investment's Report**
David Kushner, Deputy Director for Investments, reported that as of July 31, 2004 the fund was valued at approximately $11.6 billion dollars. Mr. Kushner provided the Board with reports detailing movement of funds between sub-asset classes for the month ended July 31, 2004, as well as current asset and sub-asset class allocation information. He also informed the Board that Staff will replenish the Benefits cash account after this month's payments in keeping with Board approved policy.

Mr. Kushner reported that the Fund continues to be underweight the approved Asset Allocation range in Real Estate, where Staff continues to search for attractive investment opportunities. Additionally, he noted that as of July 31, the Fund was within the Board approved ranges for all sub-asset classes.

The Deputy Director for Investments reported to the Board that Staff voted the following proxies during the past month: Merger of Cable Design Technologies and Belden Inc. (Staff voted **FOR**)

The Board then voted the following proxies:

Action: It was moved by Commissioner Ellington, seconded by Commissioner Meiberger, that the San Francisco Employees' Retirement System cast all its proxy votes in SUPPORT of the merger between Charter One Financial and Citizen's Financial, a U.S. subsidiary of Royal Bank of Scotland.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Meiberger, Wright
Absent: Kim, Sandoval

11:50-12:00 Noon the Retirement Board recessed.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

10. Supplemental Tax Deferred Plan Report

Carol Cypert, Deferred Compensation Manager, gave an oral report to the Board on the status of the ordinance for the Supplemental Tax Deferred Plan.

Commissioner Casciato asked questions regarding the timeline for implementation of this program.

11. Review of the "Semi-Annual Investment Performance Analysis" Provided by KPMG Investment Advisors

Carol Cypert, Deferred Compensation Manager, Bruno Grimaldi of KPMG Investment Advisors, and Julianne Gee of KPMG Investment Advisors presented the Semi-Annual Investment Performance Analysis for Board review. Ms. Cypert requested feedback on the new format of the report.

The Retirement Board delegated the review of the new format of the investment analysis to the Deferred Compensation Review Committee for discussion at the September 21, 2004 meeting of the committee.

12. Deferred Compensation Manager Report

Carol Cypert, Deferred Compensation Manager explained that Investment booklets will be mailed to participants, and 197 meetings will be held at various sites throughout the City to present the information to our members and to look at their asset allocation.

Commissioner Casciato explained that he would like to make a presentation at the next meeting of the Deferred Compensation Committee.

RETIREMENT BOARD MEMBER'S REPORT

13. Board Member's Report

- **Stars & Stripes Conference July 18-20, 2004 (attended by Al Casciato)**

Commissioner Casciato presented an oral report on the Stars & Stripes Conference held in Orlando, Florida and brought back resource materials.

- **World Pension Forum-Summer Symposium, July 18-21, 2004 (attended by Michael Kim and E. David Ellington)**

Commissioner Ellington presented an oral report on the World Pension Forum-Summer Symposium held in Jackson Hole, Wyoming.

- **Institutional Investor – Public Funds Symposium, July 21-23, 2004 (attended by Herb Meiberger)**

Commissioner Meiberger presented a written report on the Public Funds Symposium held in San Diego, CA.

- **NASP 15th Annual Pension Fund Conference, July 22-27, 2004 (attended by Brenda Wright)**

Commissioner Wright presented an oral report on the NASP 15th Annual Pension Fund Conference held in Chicago, IL. She noted that the SF Retirement Board is in the forefront in its creation of policies with its Code of Conduct Policy.

- **Pacific Pension Institute Summer Roundtable, July 28-30, 2004 (attended by Al Casciato, E. David Ellington, and Herb Meiberger)**

Commissioner Casciato presented an oral report on the Pacific Pension Institute. He noted that Commissioner Kim was unable to attend [even though his travel request was approved by the Board] but that Commissioner Ellington, Meiberger and himself attended the conference.

Commissioner Meiberger presented a written report on the Pacific Pension Institute meeting.

- **Review of the Board's Education and Travel Policy**

Commissioner Ellington explained that the Governance Committee would be reviewing the Board's Education and Travel Policy. The question of defining the word "reporting" from conferences will be addressed, be it oral or written.

In response to Commissioner Casciato's question regarding some members who have questions about social security benefits, Jay Huish, Deputy Director explained that he is responding to these inquiries.

CITY ATTORNEY REPORT

14. **Report on the NAPPA Legal Education Conference**
Dan Maguire, Deputy City Attorney, presented a written report on this item.

CLOSED SESSION

15. The Board did not meet in Closed Session.

16. **Adjournment**

There being no further business, the Board adjourned its meeting at 1:10 p.m. in memory of Terrence (Terry) Nordyke, former employee of the San Francisco Retirement System, who passed away on Tuesday, July 13, 2004.

Respectfully submitted,

Clare M. Murphy
Executive Director

Please Note: The minutes of this meeting set forth actions taken by the Retirement Board on the matters stated but not necessarily in the chronological sequence in which the matters were considered.

MINUTES

RETIREMENT BOARD

CITY AND COUNTY OF SAN FRANCISCO

30 Van Ness Avenue, Suite 3000

San Francisco, CA 94102

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is dedicated to securing, protecting and prudently investing the pension trust assets, administering mandated benefit programs, and providing promised benefits.

Tuesday, September 14, 2004
8:30 AM

DOCUMENTS DEPT.
OCT 22 2004
SAN FRANCISCO
PUBLIC LIBRARY

Roll Call:

Retirement Board
Present: Joseph Driscoll, President
E. David Ellington, Commissioner
Michael Kim, Commissioner
Herb Meiberger, Commissioner
Gerardo Sandoval, Supervisor

Absent: Brenda Wright, Vice President
Al Casciato, Commissioner

Retirement System:
Present: Clare M. Murphy, Executive Director of the Retirement System

CLOSED SESSION

1. **Pursuant to the Ralph M. Brown Act, Government Code Section 54956.9 and the Sunshine Act, San Francisco Administrative Code Section 67.10, the Retirement Board met in closed session.**

CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
(Subdivision (a) of Government Code §54956.9, Administrative Code §67.10 (d)(1))
In re Marriage of James Kelly
San Mateo Sup. Ct. No. F-361487
Sayed v. Retirement System, et al.
San Francisco Sup. Ct. No. 503946

CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
(Subdivision (b) of Government Code §54956.9, Administrative Code §67.10(d)(2))
Significant exposure to litigation pursuant to subdivision (b) of Section 54956.9:
One case. As defendant.

The Retirement Board met in Closed Session from 8:30 am to 9:25 am

The Retirement Board recessed from 9:25 am to 9:30 am

Action: It was moved by Commissioner Sandoval, seconded by Commissioner Ellington, to not disclose discussions held in Closed Session (pursuant to San Francisco Administrative Code Section 67.12(a).

Public Comment

Members of the public shall have an opportunity to directly address the Retirement Board on items of interest to the public that are within the subject matter jurisdiction of the Retirement Board, including items being considered today. Members of the public may address the Retirement Board now or at the time an item on today's agenda is being considered. Members of the public may address the Retirement Board for up to five minutes. The President of the Retirement Board may limit the total testimony to 30 minutes.

President Driscoll reviewed the Public Comment procedures for the attendees.

Jay Sayed, explained that he served the City and County of San Francisco for 20 years and came to the Retirement System on December 12, 2000 to find out what his benefits would be and was given a figure as well as the benefit with his years of prior service. He said SFERS said he was entitled to buy it to have full benefits and, at that point, he pulled out his checkbook to pay it. Mr. Sayed said the person did not accept the check and did not warn him of a deadline of the offer to purchase prior service. He felt it was his right to purchase the prior service and said there is a snag in the SFERS System.

Marguerite Young, representing SEIU, explained that she would be making comments on the item relating to SFERS Plan Member Communications Policy and Item 15.

REGULAR CALENDAR

2. **Minutes of the August 10, 2004 Board Meeting**
   Action: It was moved by Commissioner Sandoval, seconded by Commissioner Ellington, to approve the minutes of the August 10, 2004 Retirement Board Meeting as presented.

   Approved by the following vote:
   Ayes: Driscoll, Ellington, Kim, Meiberger, Sandoval
   Absent: Casciato, Wright

3. **Governance Committee Meeting of August 4, 2004**
   Commissioner David Ellington, Chair of the Governance Committee, presented an oral report on the meeting of August 4, 2004. The Committee reviewed the Governance Report for 2003, the results of the 2003 Board Development Questionnaire and selected Governance Policies and Proposed Amendments that are on the Board agenda.

4. **Presentation of the Governance Report 2003**
   Tom Iannucci representing Cortex Applied Research (participating via telephone), presented and oral and written report.

   In response to Commissioner Meiberger's question, Mr. Iannucci said that Board members should provide a very brief synopsis of key concepts gleaned from the conference. Ms. Murphy said the travel form would be prepared and submitted to the Governance Committee for review.

   This was an informational item only, no action taken.

5. **Review and Approval of Select Governance Policies and Proposed Amendments:**
   - **Business Planning Policy**
   - **SFERS Plan Member Communications Policy**
   - **Executive Director Performance Evaluation Policy**

   Clare Murphy, Executive Director, Tom Iannucci, representing Cortex Applied Research (participating via telephone), presented and oral and written report.

   The Board members discussed the Member Communications Policy and the proposed amendments. There was discussion of the issue relating to the risk associated with detrimental reliance as well as the impacts of free speech. After discussion, the Board agreed that this issue should be referred back to the Governance Committee for further discussion and refinement.

   Marguerite Young, representing SEIU, was pleased that the Member Communications Policy had been referred back to Committee as she had concerns about restrictions on board members to express opinions on investment issues. She felt the policy should afford the right of individuals to express opinions in their fiduciary responsibilities.

   Jean Thomas, representing the SF Retirees Association, was happy that the Member Communications Policy was going back to Committee. She said anything that inhibits communication is detrimental. She felt that it was important for individual members of the Board to speak freely.

   Action: It was moved by Commissioner Ellington, seconded by Commissioner Kim, to approve the amendments to the following policies as presented
   - Business Planning Policy
   - Executive Director Performance Evaluation Policy, and to
   - to refer the SFERS Plan Member Communications Policy back to the Governance Committee.

   Approved by the following vote:
   Ayes: Driscoll, Ellington, Kim, Meiberger, Sandoval
   Absent: Casciato, Wright

6. **Old and Ongoing Business List**
   Shauna Rose, Executive Assistant, presented a written report on this item.

   This was an informational item only, no action taken.

7. **Review and Approval of Benefit Interpretation Policy Activities for the 2nd Quarter of 2004**
   Jay Huish, Deputy Director, presented a written report on this item.

   This was an informational item only, no action taken.

8. **Review and Approval of Request for Proposal for Outside Legal Services (excluding Securities Litigation)**
   Dan Maguire, Deputy City Attorney, presented a written and oral report on this item.

   The Board reviewed and discussed the Request for Proposal including what firms would be invited to participate.

Commissioner Sandoval suggested an amendment to the selection criteria that would provide submission about the firms ethnic and sex make up at the partnership level.

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Sandoval to approve the Request for Proposal for Outside Legal Services (excluding Securities Litigation), as amended.

Approved by the following vote:
Ayes: Driscoll, Ellington, Kim, Meiberger, Sandoval
Absent: Casciato, Wright

9. **Review and Approval of Request for Proposal for Securities Litigation Monitoring & Advisory Services**
David Kushner, Deputy Director for Investments and Dan Maguire, Deputy City Attorney presented a written and oral report on this item.

President Driscoll discussed the Request for Proposal and asked if there would be a need to have more than one firm.

Commissioner Ellington stated that it was his understanding that both Commissioners Casciato and Wright wanted the RFP to be broadly distributed. He also commented that it might be beneficial to have an aggressive litigation firm to defend the Fund.

In response to Commissioner Meiberger's comment, Ms. Murphy explained that Northern Trust does not track litigation in progress and is it not part of the custodian's responsibilities. This monitoring system will allow SFERS to be aware of the status of cases in progress.

Commissioner Sandoval said there must be firms that offer both tracking of securities litigation as well as provide securities litigation services. He was of the opinion that there may be an industry bias against securities litigation firms and that staff will ultimately not use firms that do securities litigation from the inherent conflict of interest. He was not sure he concurred with that line of thinking.

Mr. Kushner said the RFP would make it clear that the successful firm would not represent SFERS in securities litigation activities.

Action: It was moved by Commissioner Ellington, seconded by Commissioner Meiberger, to approve the Request for Proposal for Securities Litigation Monitoring & Advisory Services

Approved by the following vote:
Ayes: Driscoll, Ellington, Kim, Meiberger, Sandoval
Absent: Casciato, Wright

Supervisor Sandoval left the meeting at 11:05 a.m.

10. **Review of Actuarial Audit Proposals and Finalist Recommendation**
Clare Murphy, Executive Director, presented a written and oral report on this item.

The Board reviewed and discussed the finalist recommendation and asked questions of staff.

Action: It was moved by Commissioner Ellington, seconded by Commissioner Kim, to approve the finalist recommendation of the Actuarial Audit Proposal.

Approved by the following vote:
Ayes: Driscoll, Ellington, Kim, Meiberger,
Absent: Casciato, Sandoval, Wright

11. CONSENT CALENDAR

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

Commissioner Kim requested that the social security numbers re redacted on hearing officer decisions/reports.

Action: It was moved by Commissioner Kim, seconded by Commissioner Meiberger, to approve the Consent Calendar as presented.

Approved by the following vote:
Ayes: Driscoll, Ellington, Kim, Meiberger,
Absent: Casciato, Sandoval, Wright

11a. Voluntary Retirement Board List No. 3-04

11b. Decision of Hearing Officers

Gerald D. Ard Effective Date: 5/01/03	H-4 Inspector Fire	Industrial Disability Retirement/Stip Granted
William Davenport Effective Date: 7/24/04	Q-82 Captain III Police	Ordinary Disability Retirement Granted
Christine E. Eglip Effective Date: 7/01/03	9163 Transit Operator Muni	Ordinary Disability Retirement Denied
Robert Kelly Effective Date: 3/13/00	9703 Employment & Training Specialist II DHS	Ordinary Disability Retirement/Stip Denied
Steven Lipson Effective Date: 6/30/03	H-2 Firefighter Fire	Industrial Disability Retirement/Stip Granted
Ronald H. Morehen Effective Date: 1/18/03	H-24 Investigation Lt. Fire	Industrial Disability Retirement/Stip Granted
James A. Murphy Effective Date: 4/16/03	H-20 Lieutenant Fire	Industrial Disability Retirement/Stip Granted
John M. Oleary Effective Date: 6/13/03	H-20 Lieutenant Fire	Industrial Disability Retirement/Stip Granted
Thomas Pendergast Effective Date: 1/16/01	8214 Parking Control Officer Parking & Traffic	Ordinary Disability Retirement/Stip Denied
Amy Reynolds Effective Date: 8/22/03	7388 Utility Plumber PUC/Water	Ordinary Disability Retirement/Vesting Granted

Anthony J. Serpa Effective Date: 5/17/03	H-2 Firefighter Fire	Industrial Disability Retirement/Stip Granted

11c. Petition for Rehearing

Lawrence Ho Effective Date: 1/5/03	H-3 Firefighter Fire	Industrial Disability Retirement Granted
Stephine Tom Effective Date: 2/28/03	2708 Custodian SFUSD	Ordinary Disability Retirement Denied

11d. Approval of Request for Travel for Al Casciato, Commissioner, to attend the 8th Annual Plan Sponsor & Pension Consultants' Circle in Half Moon Bay, CA on October 25-26, 2004.

12. Adjustment of Retirement Allowance for Cari M. Pouchnik

Shauna Rose, Executive Assistant, presented a written and oral report on this item.

Action: The Board, by individual ballot vote, unanimously approved an adjustment of Disability Retirement Allowance for Cari M. Pouchnik.

Approved by the following vote:
Ayes: Driscoll, Ellington, Kim, Meiberger,
Absent: Casciato, Sandoval, Wright

11:55 to 12:05 Retirement Board recessed

13. Executive Director's Report

Executive Director Clare Murphy explained that all Memoranda of Understanding have been implemented and the Cost of Living Adjustment will be paid on October 31, 2004 for safety officers, old plan members.

Ms. Murphy outlined the Charter Amendment proposed for the November 2004 ballot which affect the Retirement System. Proposition E would enhance the survivor benefit in the event of death in the line of duty for police offices and firefighters, increasing the benefit from 75% to 100% of service retirement which would have been payable to the member at earliest eligibility had the member lived.

Ms. Murphy noted that the Supplemental Tax Deferred Plan, which was empowered to be created at the March 2004 election, is before the Rules Committee on September 15, 2004. Should the Ordinance be adopted, the Retirement Board will be able to consider the legislation at the October 12, 2004 Retirement Board meeting.

Ms. Murphy reviewed the Actuarial study timeline, noting that the economic assumptions will be considered at the December Retirement Board meeting. In January of 2005 the Board will be receiving a report on demographics. This report is very significant as the last review was completed in 1998 and in addition the study will require a change in mortality rates of the Retirement Fund. Finally, the valuation of the plan will be presented at the February 2005 meeting and the Board will adopt employer contribution rates for 2005-06.

The Retirement Board will meet on December 14, 2004 and a committee meeting is tentatively scheduled for December 21st. She asked the Board to let staff know if there will be a committee meeting on this date.

Ms. Murphy suggested that the issues relating to the Regulations for Travel Reimbursement Mandated by Controller's Office and the Protocol Response to Invitations to the Retirement Board be reported at the October 12, 2004 when more Board members will be present.

Ms. Murphy noted that a communication was sent to a limited number of potentially affected retirees explaining changes in the Domestic Partnership law.

The nomination period has closed for the upcoming Retirement Board election and four candidates have been nominated. SFERS staff will be conducting an orientation meeting for the candidates with the City Attorney and Department of Elections on October 19, 2004.

CALAPRS announced yesterday the Trustees Roundtable to be held on October 8, 2004. Given that the conference will be held prior to next month's board meeting, the Executive Director was requesting that this matter be noticed on the agenda as "ratification" for the October 12, 2004 meeting.

Ms. Murphy noted that a valuation of the cost of the Early Retirement Program will have to be done so that the Board of Supervisors will have cost information prior to adoption of the City's budget for next Fiscal Year, in order to decide on the extension of ERP as provided in Prop F.

Ms. Murphy provided a list of educational opportunities for Board members. If Board members are interested in attending any of these events, they should contact her office.

Commissioner Ellington left the meeting at 12:35 pm

INVESTMENT CALENDAR

14. Alternative Investment Committee Meeting Report of 8/17/04

Joe Driscoll Chair of the Alternative Investment Committee provided an oral report of the meeting held on August 17, 2004. He explained that the Committee determined that the following item be considered by the full board.

15. Review and Approval of Policy on Public Disclosure of Information in the Real Estate and Alternative Investment Asset Classes

David Kushner, Deputy Director for Investments and Brian Murphy representing Portfolio Advisors, presented a written and oral report on this item.

Marguerite Young, representing SEIU, said the Capital Stewardship Program is monitoring this issue and while she recognizes that there is a legitimate interest to protect the fund, it might have a negative impact on the plan beneficiaries. She felt there needed to be a balance. She suggested that the actual return be shown for all Partnership with "not meaningful" footnote for Partnerships under 5 years duration. She urged SFERS to consider this issue in terms of public disclosure.

Action: It was moved by Commissioner Ellington, seconded by Commissioner Meiberger to approve the Policy on Public Disclosure of Information in the Real Estate and Alternative Investment Asset Classes.

Approved by the following vote:
Ayes: Driscoll, Ellington, Kim, Meiberger
Absent: Casciato, Sandoval, Wright

16. Approval of Recommendation to Invest up to $15 Million in Providence Equity Partners Fund V

David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Advisor, and Ken Wisdom and Brian Murphy of Portfolio Advisors, presented a written and oral report on this item.

In response to Commissioner Kim's question, Mr. Kushner explained that the commitment was smaller than those made in the past because SFERS has limited capital this year and Fund V is over subscribed.

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Ellington, to approve the recommendation to invest up to $15 Million in Providence Equity Partners Fund V.

Approved by the following vote:
Ayes: Driscoll, Ellington, Kim, Meiberger
Absent: Casciato, Sandoval, Wright

17. **Approval of Recommendation to Invest up to $15 Million in Matlin Patterson Global Opportunities Partners II**
David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Advisor, and Ken Wisdom and Brian Murphy of Portfolio Advisors, presented a written and oral report on this item.

Commissioner Kim inquired about the amount of the commitment.

Action: It was moved by Commissioner Ellington, seconded by Commissioner Meiberger, to approve the recommendation to invest up to $15 Million in Matlin Patterson Global Opportunities Partners II.

Approved by the following vote:
Ayes: Driscoll, Ellington, Kim, Meiberger
Absent: Casciato, Sandoval, Wright

18. **Public Investment Committee Meeting Report of 8/17/04**
Note for the Record: No Report was submitted.

19. **Report on the Performance of the Retirement Fund for the Quarter Ending 06/30/04**
David Kushner, Deputy Director for Investments and Leslie Kautz, representing Angeles Investment Advisors, presented a written and oral report on this item.

This was an informational item only, no action taken.

20. **Report on Manager Monitoring List – Activities**
David Kushner, Deputy Director for Investments and Leslie Kautz, representing Angeles Investment Advisors, presented a written and oral report on this item.

This was an informational item only, no action taken.

21. **Report on Brokerage Commissions Generated by the Retirement Fund during the Quarter Ended 06/30/04**
David Kushner, Deputy Director for Investments, presented a written and oral report on this item.

This was an informational item only, no action taken.

22. **Annual Report on Tobacco Divestiture**
David Kushner, Deputy Director for Investments and Carl Wilberg, Senior Investment Advisor, presented a written and oral report on this item.

This was an informational item only, no action taken.

23. Deputy Director for Investment's Report

David Kushner, Deputy Director for Investments reported that as of August 31, 2004 the fund was valued at approximately $11.7 billion dollars. Mr. Kushner provided the Board with reports detailing movement of funds between sub-asset classes for the month ended August 31, 2004, as well as current asset and sub-asset class allocation information. He also informed the Board that Staff has replenished the Benefits cash account in keeping with Board approved policy. Mr. Kushner reported that the Fund continues to be underweight the approved Asset Allocation range in Real Estate, where Staff continues to search for attractive investment opportunities. Additionally, he noted that as of August 31, the Fund was within the Board approved ranges for all other asset classes.

Mr. Kushner reported to the Board that Staff voted the following proxies during the past month:

- Acquisition of PanAmSat Corp. by Kohlberg Kravis (Staff voted **FOR**)
- Merger of GreenPoint Financial and North Fork Bancorp (Staff voted **FOR**)

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

24. Approval of the Draft Request for Proposal to Solicit Bids for a 457 Deferred Compensation Plan Investment Consultant

Carol Cypert, Deferred Compensation Manager provided a draft Request for Proposal for Investment Consultant for the City and County of San Francisco 457 Deferred Compensation Plan for board review and approval. Board members requested that a question be crafted to gather information about proposer's workforce. Board members approved the draft RFP.

Action: It was moved by Commissioner Ellington, seconded by Commissioner Meiberger, to approve the Request for Proposal to Solicit Bids for a 457 Deferred Compensation Plan Investment Consultant

Approved by the following vote:
Ayes: Driscoll, Ellington, Kim, Meiberger
Absent: Casciato, Sandoval, Wright

25. Deferred Compensation Manager Report.

Carol Cypert, Deferred Compensation Manager, gave an oral report to the board regarding the following items:

- Ms. Cypert discussed the low attendance of ING meetings being held throughout the City regarding the changes to the investment fund line-up.
- A monthly activity report from ING was provided for review.

RETIREMENT BOARD MEMBER'S REPORT

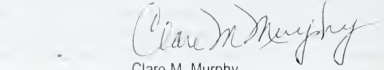
26. Board Member's Report

Note for the Record: No Reports were submitted.

27. Adjournment

There being no further business, the Board adjourned its meeting at 1:15 p.m.

Respectfully submitted,



Clare M. Murphy
Executive Director

Please Note: The minutes of this meeting set forth actions taken by the Retirement Board on the matters stated but not necessarily in the chronological sequence in which the matters were considered.

MINUTES

Special Meeting of the Retirement Board and the Deferred Compensation Plan Investment Review Committee

CITY AND COUNTY OF SAN FRANCISCO

30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is dedicated to securing, protecting and prudently investing the pension trust assets, administering mandated benefit programs, and providing promised benefits.

Tuesday, September 21, 2004
8:30 AM

DOCUMENTS DEPT.
NOV 19 2004
SAN FRANCISCO
PUBLIC LIBRARY

Roll Call:

Retirement Board
Present: Joseph Driscoll, President
Al Casciato, Commissioner
E. David Ellington, Commissioner
Herb Meiberger, Commissioner

Absent: Michael Kim, Commissioner
Gerardo Sandoval, Commissioner
Brenda Wright, Vice President,

Retirement System:
Present: Clare M. Murphy, Executive Director of the Retirement System

1. **Approval of the Deferred Compensation Plan Investment Review Committee minutes of June 15, 2004.**

   Action: On motion of Commissioner Casciato, seconded by Commissioner Driscoll, the minutes of the June 15, 2004 Deferred Compensation Plan Investment Review Committee were approved as amended.

   Approved by the following vote:
   Ayes: Casciato, Driscoll, Meiberger
   Absent: Kim, Sandoval, Wright
   Abstain: Ellington

2. **Review of the Self-Directed Brokerage Options and Closed End Fund Determination.**
   Carol Cypert, Deferred Compensation Manager, and Peter Belardinelli, representing ING, presented an oral and written report. Staff recommended that the Board not change the current authorization of what is available to members for the Self-Directed Brokerage Options and Closed End Funds.

A lengthy discussion ensued regarding closed end funds and the process followed by the Deferred Compensation Manager when she became aware, in December 2002, that three participants were involved in closed end funds. She outlined the process followed to have those three members liquidate the funds.

Peter Belardineli, representing ING, explained that ING was responsible for the error that allowed a participant to purchase closed end funds.

In response to Commissioner Casciato's questions, Ms. Cypert described the administrative burden to the 457 plan to evaluate 698 closed end funds, particularly for a handful of participants.

Commissioner Meiberger asked the City Attorney to research the potential harm to the Fund by offering closed end funds and asked for factual information and evidence to support this viewpoint.

Executive Director Clare Murphy explained that there were limitations in place for self directed brokerage accounts, which did not allow for these investments and they occurred outside the guidelines and were done in error.

A lengthy discussion ensued regarding the three participants who had closed end funds and the efforts of the City Attorney, the staff, and ING representatives to rectify this issue. After much discussion Clare M. Murphy, Executive Director disclosed that one of the members who had closed end funds is a member of the Retirement Board.

Commissioner Ellington stated that he wanted the issue of a Board member having closed end funds and not disclosing it to be reviewed by the Governance Committee.

E. David Ellington left the meeting at 9:30 a.m.

Commissioner Meiberger then explained his reasoning for purchasing closed end funds and why he did not disclose the fact that he was one of three members who had closed end funds, citing, as one point, that there were not adequate controls in place by ING.

In response to Commissioner Casciato's question, Mr. Belardinelli said there would be a considerable amount of staff time dedicated to evaluate the 698 closed end funds and to select which ones should be offered. This process may add to the administrative costs of the 457 plan.

Ms. Cypert also referenced Senate Bill 1698 which, should it be adopted, would clearly define the fiduciary responsibilities that are required under Section 404(c) of the Internal Revenue Code. Lastly, Ms. Cypert pointed out that an investment consultant should be selected and on board by 2005 whose responsibilities would be to evaluate the fund selection.

Commissioner Casciato commented that the discussion was helpful to him, as he wanted to have full disclosure on closed end fund issue. He was not aware of all the problems when it had been previously discussed at the Board meetings and meetings of the Deferred Compensation Plan Investment Review Committee.

Action: This matter was a discussion item only; no formal action was taken.

3. **Review of the New Format of the Semi-Annual Investment Analysis from KPMG**
Carol Cypert, Deferred Compensation Manager, presented an oral and written report.

Board members gave input on the format of the analysis and noted that they wanted to see a 1-year time frame rather than a 3-year time frame in the report. Additionally, comments were made to stable value fund and Hueler Analytics, Inc.

Peter Belardinelli, representing ING, referenced the many group meetings, numbering 197, which have been held with City employees to outline the investment changes to the 457 plan and other administrative changes that have recently been instituted by ING.

Commissioner Driscoll requested that ING conduct User Acceptance Testing (UAT) to insure that participants do not invest in options that are not allowed in the self directed brokerage accounts.

Lastly, Commissioner Driscoll asked the City Attorney to research if there is pending litigation or settlements regarding self-directed brokerage accounts in retirement programs throughout the nation and to find out how much protection the hold harmless agreement provides the retirement systems.

Action: This matter was a discussion item only; no formal action was taken.

4. **Board Member's Report**

Action: No reports were submitted by Board Members.

5. **Adjournment**

There being no further business, the Special Meeting of the Retirement Board and the Deferred Compensation Plan Investment Review Committee adjourned its meeting at 9:55 a.m.

Respectfully submitted,

Clare M. Murphy
Executive Director

MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is dedicated to securing, protecting and prudently investing the pension trust assets, administering mandated benefit programs, and providing promised benefits.

Tuesday, October 12, 2004
8:30 AM

DOCUMENTS DEPT.
NOV 19 2004
SAN FRANCISCO
PUBLIC LIBRARY

Roll Call:

Retirement Board
Present: Joseph Driscoll, President
Al Casciato, Commissioner
Michael Kim, Commissioner (Noted present at 8:40 a.m.)
Herb Meiberger, Commissioner
Brenda Wright, Vice President

Absent: E. David Ellington, Commissioner
Gerardo Sandoval, Supervisor

Retirement System:
Present: Clare M. Murphy, Executive Director of the Retirement System

Public Comment
Members of the public shall have an opportunity to directly address the Retirement Board on items of interest to the public that are within the subject matter jurisdiction of the Retirement Board, including items being considered today. Members of the public may address the Retirement Board now or at the time an item on today's agenda is being considered. Members of the public may address the Retirement Board for up to five minutes. The President of the Retirement Board may limit the total testimony to 30 minutes.

President Driscoll reviewed the Public Comment procedures for the attendees.

Richard Rothman, Chair of the Retirement Committee for Local 790, was present to discuss Proposition "A", the tax deferred plan. He explained it was his understanding that the plan would be voluntary and they have now learned that it is mandatory program. He referenced the language in the Voter Ballot handbook, which states that City employees "could" participate in this plan which Local 790 viewed as "optional." Now, they have learned that this program is a mandate for City workers and he asked that it not implemented until it becomes an optional program.

Maria Guillén, Regional Vice President, of the San Francisco Office of Local 790, explained that the Tax Deferred Plan would not have been approved had they known it was a mandated plan. While there are many members who will take advantage of this Plan, they also have a group of employees who would not. There is a group that feels it is being held hostage and she wanted to make sure Local 790 protects its membership

Ed Walsh, a member, echoed the sentiments expressed by the previous two speakers. It was his understanding that this Program would be for any member and nobody would lose. They have now learned that the IRS would not allow it to be an option and while it may be the best deal for most of the members, some of them will suffer if it is implemented. He said the meet and confer process was not effective and did not communicate the plan features to the members. He felt that SFERS should provide better outreach to the labor organizations.

Lois Black, read the following statement to be made part of the minutes:

"Today you will vote on items that will enable the 401(a) Supplemental Tax Deferred Plan to meet the implementation date of January 1, 2005. The legislation passed by the voters stated that participation by employees would be voluntary. As this Plan is not voluntary, I urge the Retirement Board reject it.

This plan covers accumulated vacation, sick leave (including wellness programs) and compensatory time payable at the end of the employee's career. Aren't these payments wages? If the answer is yes; then that money belongs to the employee – not a third party administrator who will receive the money, charge fees, penalties and taxes then refund whatever is left to the employee. Also, forcing the employee to participate could prove to be illegal.

Please return the legislation to the Board of Supervisors with the requirement that participation be voluntary. Thank you."

REGULAR CALENDAR

1. Minutes of the September 14, 2004 Board Meeting

   Action: It was moved by Commissioner Meiberger, seconded by Commissioner Driscoll to approve the minutes of the September 14, 2004 Retirement Board Meeting as presented.

   Approved by the following vote:
   Ayes: Casciato, Driscoll, Meiberger, Wright
   Absent: Ellington, Kim, Sandoval

2. Old and Ongoing Business List

   Clare Murphy, Executive Director, presented an oral and written report on this item.

   Commissioner Meiberger asked staff to provide a summary of the different terms of the existing General Partner agreements including the splits and director's fees management and monitoring fees charged to SFERS. Later in the meeting under Item 18 Commissioner Meiberger withdrew his request.

   Executive Director, Clare Murphy suggested that this issue might be calendared before the Alternative Investment Committee.

   8:40 a.m. Commissioner Michael Kim arrived at the meeting.

   This was an informational item only, no action taken.

3. **Approval to Establish a Supplemental Tax Deferred Plan 401(a) for Deferral of Lump-Sum Payments of Vacation, Sick Leave, and Compensatory Time**
Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

A lengthy discussion ensued about the meet and confer process followed by staff. Executive Director Clare Murphy outlined the implementation process, noting that several meet and confer sessions were held before the legislation was considered by the Board of Supervisors. Additionally, Retirement staff personally invited those unions who had not attended the first session to the second session so they could learn of the program.

In response to Commissioner Meiberger's question, Ms. Murphy explained that the language in the Charter Amendment did not specify the Tax Code that was to be used to implement the program. Since staff was precluded from the use of public pension fund monies to research the legislation, it was not learned until later that the tax code makes participation mandatory to all separating employees.

Lois Black, spoke that it was her belief that miscellaneous members would subsidize the cost of this plan which benefits safety members.

Richard Rothman, wondered why the voter's ballot pamphlet did not say the program was mandatory.

Maria Guillén, Regional Vice President of the San Francisco Office of Local 790, explained that even though staff did try to contact their organization, and contacted the Executive team of Local 790, she was unaware of the meetings held on this Tax Deferred Plan.

Action: It was moved by Commissioner Casciato, seconded by Commissioner Meiberger, to table this item to the November 2004 Retirement Board meeting.

Approved by the following vote:
Ayes: Casciato, Driscoll, Meiberger
Noes: Kim, Wright
Absent: Ellington, Sandoval

4. **Approval of the Adoption Agreement and Plan Document for the Supplemental Tax Deferred Plan**

Action: This item was tabled to the November 2004 Retirement Board Meeting

5. **Approval of Selection of Vendor and Approval to Enter into Contract Negotiations with Selected Vendor as the Service Provider for the 401(a) Supplemental Tax Deferred Plan**

Action: This item was tabled to the November 2004 Retirement Board Meeting

6. **Semi-Annual Report on Retirement Information Systems and Technology**
Ron Puff, Manager of Retirement Information Systems and Technology, presented an oral and written report on this item.

This was an informational item only, no action taken.

7. **Personnel Committee Report of the Meeting of September 21, 2004**
Al Casciato, Chair of the Personnel Committee, gave an oral report on the meeting of September 21, 2004. He explained that the Committee discussed the recruitment process for the position of actuary and then met in Closed Session to discuss the performance evaluation of the Executive Director.

10:15 to 10:30 am the Board Recessed

8. Approval of Recommendation for Interim Actuarial Support Resources

Executive Director, Clare Murphy, presented an oral and written report on this item. Ms. Murphy explained that staff was seeking approval to hire a staff support person for a limited period of time to provide data review, research, tracking of demographic projections and mortality factors in order to assist in the preparation of the annual valuation of the plan. This interim measure will not impact the recruitment effort for the position of Actuary

Commissioner Meiberger noted his concern that the actuary position needed to be filled and that he did not want the role of this position to be diminished. He urged that Retirement redouble its effort to hire an in-house actuary as mandated by the Charter.

President Driscoll noted that this staff support person would provide information to assist in setting the contribution rate. The immediacy of the work that has to be done make it a necessity to take this interim step.

Action: It was moved by Commissioner Wright, seconded by Commissioner Kim, to approve the recommendation for the Interim Actuarial Support Resources.

Approved by the following vote:
Ayes: Casciato, Driscoll, Kim, Wright
Noes Meiberger
Absent: Ellington, Sandoval

9. Review of the Board Meeting Schedule through January 2005

Executive Director Clare Murphy provided an oral and written report on this item. Ms. Murphy explained that because of vacation and holiday schedules and the resignation of the Executive Assistant, the Committee meetings for the balance of the year will be suspended.

In response to President Driscoll's question, Ms. Murphy explained that there are no outstanding issues, or Request for Proposal searches that will impact this suspension.

This was an informational item only, no action taken.

10. Ratification of **Request for Travel for Herb Meiberger, Commissioner, to travel to Santa Barbara, CA on October 8, 2004 for the CALAPRS Trustees' Roundtable**

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Casciato, to ratify the request for travel for Herb Meiberger, Commissioner, to travel to Santa Barbara, CA on October 8, 2004 for the CALAPRS Trustees' Roundtable

Approved by the following vote:
Ayes: Casciato, Driscoll, Kim, Meiberger, Wright
Absent: Ellington, Sandoval

11. CONSENT CALENDAR

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

Commissioner Kim thanked staff to for communicating to the American Arbitration Association and asking them to redact the social security numbers from hearing officer decisions.

Commissioner Wright asked that Item 11d be removed from the Consent Calendar as she was no longer attending this conference.

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Wright, to approve the Consent Calendar, with the exception of Item 11d.

Approved by the following vote:
Ayes: Casciato, Driscoll, Kim, Meiberger, Wright
Absent: Ellington, Sandoval

11a. Voluntary Retirement Board List No. 4-04

11b. Decision of Hearing Officers

Katherine R. Bonilla Effective Date: 4/1/03	2904 Human Services Technician Department of Human Services	Ordinary Disability Retirement Granted
Gloria Cunningham Effective Date: 11/1/03	2302 Nursing Assistant Department of Public Health	Ordinary Disability Retirement Granted
Gilbert A. Erbert Effective Date: 6/28/03	H-2 Firefighter Fire Department	Industrial Disability Retirement/Stip Granted
William Dougherty Effective Date: 7/9/04	Q-50 Police Sergeant Police Department	Industrial Disability Retirement/Stip Denied
Richard J. Ford Effective Date: 1/2/04	H-2 Firefighter Fire Department	Industrial Disability Retirement Granted
Roberta Greifer Effective Date: 2/1/04	3632 Librarian II Public Library	Ordinary Disability Retirement/Stip Granted
Janice M. Jones Effective Date: 4/1/04	1404 Clerk Municipal Railway	Ordinary Disability Retirement/Vesting Granted
Calvin Louie Effective Date: 3/26/04	H-20 Acting Lieutenant Fire Department	Industrial Disability Retirement/Stip Granted
John Marberry Effective Date: 05/07/04	H-2 Paramedic Fire Department	Industrial Disability Retirement Granted
Jacqueline A. Montes Effective Date: 12/22/01	3417 Gardner Recreation and Park	Ordinary Disability Retirement Granted
Rudy-Raymond P. Sandico Effective Date: 5/29/04	1426 Sr. Clerk Typist Department of Human Services	Ordinary Disability Retirement Granted
Mario D. Soriano (Deceased) Effective Date: 7/6/04	1934 Storekeeper Administrative Services	Ordinary Disability Retirement Granted
Larry M. Trail	9122 Transit Information Clerk	Ordinary Disability Retirement

Effective Date: 1/1/04	Municipal Railway	Denied
Courtland Young Effective Date: 06/01/04	9163 Transit Operator Municipal Railway	Ordinary Disability Retirement/Vesting

11c. Petition for Rehearing

Austin L. Wilson Effective Date: 9/1/94	9163 Transit Operator Municipal Railway	Ordinary Disability Retirement/Stip Denied

11d. Request Approval of Travel for Brenda Wright, Commissioner, to attend the Plan Sponsor & Emerging Manager Alternative Investment Summit to be held on October 26-27, 2004 in Aventura FL (withdrawn)

12. Executive Director's Report

Executive Director Clare Murphy reported that the San Francisco Unified School District (SFUSD) has not sent a proper data tape (that can be posted) for its classified or teaching employees since the beginning of the Fiscal Year. Staff is meeting with SFUSD to identify the problems they had believed were rectified. It has now been three months since SFERS has been able to post SFUSD employees' data and it has impacted staff's ability to serve those members who wish to leave employment, retire or who die. Staff continues to work with the School District.

Ms. Murphy reported that with respect to negotiations, the Fire Chiefs remain an outstanding group that has not come to agreement with the City. Therefore, when the Cost of Living Adjustment (COLA) for the current period is paid to police officers and firefighters, the COLA for Fire Chiefs will not be paid and will be adjusted when agreement is reached with the City.

With regard to implementation of the Memoranda of Understanding, to the best of staff's knowledge all other MOUs are implemented and in place and SFERS is collecting the appropriate contributions from members.

Ms. Murphy said that Proposition "E" is the only Charter Amendment on the November 2004 ballot that affects the Retirement System. This proposition relates to the continuation of benefits to qualified survivors of safety police or fire members who die in the line of the duty.

Ms. Murphy urged the Board members to inform the Administrative Office whether or not they will be accepting invitations that are extended to them. There have been instances where invitations have not been responded to and the Administrative Office is happy to respond on their behalf.

The Controller has reissued the travel reimbursement guidelines and it is important to note that Board members have ten working days to file the reimbursement documents to the Controller's Office. Ms. Murphy provided documentation outlining the Controller's regulations to the Board.

Each of the Retirement Board members received a notice of Sunshine Ordinance training. The Administrative Office has one copy of the Sunshine Ordinance training in DVD and videotape. Retirement Board members should contact the Administrative Office to reserve the DVID/videotape so that they can fulfill the Annual Sunshine Ordinance training requirement.

INVESTMENT CALENDAR

13. Approval of Recommendation to Invest Up To €20 Million in APAX Partners VI

Deputy Director for Investments David Kushner, Ken Wisdom representing Portfolio Advisors, presented and oral and written report on this item.

Board members engaged in a question and answer session and reviewed the allocation of investing in a broad market in non North American investments.

President Driscoll asked that the issue of fee splitting be explored.

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Casciato, to approve the recommendation to invest up to €20 Million in APAX Partners VI

Approved by the following vote:
Ayes: Casciato, Driscoll, Kim, Meiberger, Wright
Absent: Ellington, Sandoval

14. Semi Annual Review of Real Estate for the Period Ending 06/30/04
Deputy Director for Investments David Kushner, Donald Holcher, Senior Investment Advisor and Micolyn Yalonis of the Townsend Group, presented and oral and written report on this item.

Board members reviewed the report and engaged in a question and answer session with the consultant and Mr. Holcher.

This was an informational item only, no action taken.

15. Approval of Recommendation to Amend Sub Asset Class Targets and Ranges and Investment Policy Statement
Deputy Director for Investments David Kushner and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

Board members reviewed the report and engaged in a question and answer session.

Action: It was moved by Commissioner Kim, seconded by Commissioner Casciato, to approve the recommendation to Amend Sub Asset Class Targets and Ranges and Investment Policy Statement

Approved by the following vote:
Ayes: Casciato, Driscoll, Kim, Meiberger, Wright
Absent: Ellington, Sandoval

16. Approval of Semi-Finalist Manager(s) for Large Cap Growth Equity Management Services
Deputy Director for Investments David Kushner, Leslie Kautz of Angeles Investment Advisors, presented an oral and written report on this item.

Board members reviewed the report and engaged in a question and answer session.

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Casciato, to approve the Semi-Finalist Manager(s) for Large Cap Growth Equity Management Services.

Approved by the following vote:
Ayes: Casciato, Driscoll, Kim, Meiberger, Wright
Absent: Ellington, Sandoval

17. Approval of Currency Management Program Finalist(s)

Action: At the request of staff, this item was tabled.

12:20 p.m. Commissioner Michael Kim left the meeting.

18. Approval of Amended Investment Guidelines for W.R. Huff

Deputy Director for Investments David Kushner, Leslie Kautz of Angeles Investment Advisors, Dick Piket, Senior Investment Advisor, presented and oral and written report on this item.

Board members reviewed the report and engaged in a question and answer session. A lengthy discussion ensued regarding the action taken by W. R. Huff, which the Board and staff considered improper conduct, although it was not an illegal activity.

12:25 -12:35 p.m. Commissioner Brenda Wright was absent from the meeting.

12:35 to 12:45 pm the Board Recessed

Mr. Kushner explained that staff proposed amending the investment guidelines so that it could not be an issue again

Action: It was moved by Commissioner Casciato, seconded by Commissioner Meiberger, to approve the amended Investment Guidelines for W. R. Huff.

Approved by the following vote:
Ayes: Casciato, Driscoll, Meiberger, Wright
Absent: Ellington, Kim, Sandoval

19. Deputy Director for Investments Report

Deputy Director for Investments, David Kushner reported that as of September 30, 2004 the fund was valued at approximately $11.9 billion. Mr. Kushner provided the Board with reports detailing movement of funds between sub-asset classes for the month ended September 30, 2004, as well as current asset and sub-asset class allocation information. He also informed the Board that the Benefits cash account currently has approximately two months reserve, and will be replenished in keeping with Board approved policy.

Mr. Kushner further reported that the Fund continues to be underweight the approved Asset Allocation range in Real Estate, where Staff continues to search for attractive investment opportunities. Additionally, he noted that as of September 30, the Fund was within the Board approved ranges for all sub-asset classes.

Lastly, Mr. Kushner provided the Board with an update related to the proposed acquisition of PeopleSoft, Inc. by Oracle Corp. He noted this is a continuously developing situation being monitored by Staff, and would keep the Board apprised of future developments.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

20. Deferred Compensation Review Committee Report From the September 21, 2004 Meeting

Carol Cypert, Deferred Compensation Manager, presented an oral report on the Deferred Compensation Review Plan Committee meeting held on September 21, 2004. Ms. Cypert informed Board members that an Investment Performance Analysis summary will be provided to Retirement Board Members as required and a detailed analysis provided to the Deferred Compensation Committee members moving forward. Additionally, the Committee discussed the Self-Directed Brokerage Option and Closed End Fund option and informed

Board members that all options will be reviewed in 2005 by the investment consultant selected as a result of the current RFP process.

This was an informational item only, no action taken.

21. **Deferred Compensation Manager Report**
Carol Cypert, Deferred Compensation Manager provided details of the core investment fund mapping on September 24, 2004. A total of $1,061,629,986.00 was mapped to the new core fund investment fund lineup during the process. She also provided a monthly activity report from ING for review.

RETIREMENT BOARD MEMBER'S REPORT

22. **Board Member's Report**
- **Council of Institutional Investors' Conference, September 27-28, 2004 (attended by Commissioner Ellington)**
Note for the Record: Commissioner Ellington was absent from the meeting an unable to present a report.

- **Art of Indexing (S.R.I.) Conference, September 30 - October 1, 2004 (attended by Commissioner Meiberger)**
Commissioner Meiberger presented an oral and written report.

- **Trustees' Roundtable, October 8, 2004 (attended by Commissioner Meiberger)**
Commissioner Meiberger presented an oral and written report.

CITY ATTORNEY REPORT

23. **Report on the Disadvantaged Business Enterprise (DBE) Program, Chapter 14A of the Administrative Code**
Deputy City Attorney Dan Maguire, presented an oral report on this item. Mr. Maguire explained that an injunction was issued on the City's Minority Business Enterprise/Women Business Enterprise (MBE/WBE) Ordinance that will require analysis of two Retirement Board resolutions relating to the MBE/WBE Ordinance. The Board of Supervisors has replaced the MBE/WBE Ordinance with Disadvantaged Business Enterprise (DBE) Program

This was an informational item only, no action taken.

The Retirement Board met in Closed Session from 1:20 pm to 1:50 pm

24. Pursuant to the Ralph M. Brown Act, Government Code Section 54956.9 and the Sunshine Act, San Francisco Administrative Code Section 67.10, the Retirement Board will meet in closed session.

CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
(Subdivision (a) of Government Code §54956.9, Administrative Code §67.10 (d)(1))

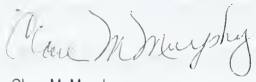
Sayed v. Retirement System, et al.
San Francisco Sup. Ct. No. 503946

Action: The Retirement Board reviewed and rejected the settlement offer and directed the City Attorney to continue with litigation. The Retirement Board voted not to disclose materials.

25. Adjournment

There being no further business, the Board adjourned its meeting at 1:55 p.m. in memory of Richard J. Ahern, father of Terry Ahern of the Townsend Group, and in recognition of the excellent service of Shauna Marie Rose

Respectfully submitted,



Clare M. Murphy
Executive Director

Please Note: The minutes of this meeting set forth actions taken by the Retirement Board on the matters stated but not necessarily in the chronological sequence in which the matters were considered.

MINUTES

RETIREMENT BOARD

CITY AND COUNTY OF SAN FRANCISCO

30 Van Ness Avenue, Suite 3000

San Francisco, CA 94102

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is dedicated to securing, protecting and prudently investing the pension trust assets, administering mandated benefit programs, and providing promised benefits.

Tuesday, November 9, 2004
8:30 AM

DOCUMENTS DEPT.
DEC 20 2004
SAN FRANCISCO
PUBLIC LIBRARY

Roll Call:

Retirement Board

Present:	Joseph Driscoll, President	
	Al Casciato, Commissioner	
	E. David Ellington, Commissioner	(Noted present at 8:40 a.m.)
	Michael Kim, Commissioner	(Noted present at 8:37 a.m.)
	Herb Meiberger, Commissioner	
	Gerardo Sandoval, Supervisor	(Noted present at 9:45 a.m.)

Absent: Brenda Wright, Vice President

Retirement System:
Present: Clare M. Murphy, Executive Director of the Retirement System

Public Comment
Members of the public shall have an opportunity to directly address the Retirement Board on items of interest to the public that are within the subject matter jurisdiction of the Retirement Board, including items being considered today. Members of the public may address the Retirement Board now or at the time an item on today's agenda is being considered. Members of the public may address the Retirement Board for up to five minutes. The President of the Retirement Board may limit the total testimony to 30 minutes.

President Driscoll reviewed the Public Comment procedures for the attendees.

Paula Gustafson, Attorney Paula Gustafson addressed the Board. Ms. Gustafson represents Javaid Sayed in pending litigation against the Retirement System.

James Lassart, Attorney representing Francis Hallinan (spouse of deceased participant Michael Hallinan) provided the Retirement Board with information related to survivor benefits for Ms. Hallinan and requested that the Retirement Board review the case and reverse Retirement staff's determination that Ms. Hallinan was entitled to active death benefits.

REGULAR CALENDAR

1. Minutes of the October 12, 2004 Board Meeting

   Action: It was moved by Commissioner Casciato, seconded by Commissioner Meiberger to approve the minutes of the Special Meeting of September 21, 2004 as amended and Minutes of the October 12, 2004 Retirement Board Meeting as presented.

   Approved by the following vote:
   Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval
   Absent: Wright

2. Old and Ongoing Business List

   Action: No action taken.

3. Review and Approval of the 2004-05 Business Plan for the San Francisco City Employees' Retirement System
   Clare M. Murphy, Executive Director and Jay Huish, Deputy Director presented an oral and written report on this item.

   Commissioner Sandoval asked for clarification of the Summary of Business Plan Initiatives for the 2005-2006 fiscal year and the timing of the Carry-Forward Initiatives. Commissioner Sandoval also inquired about the PeopleSoft system and the cost associated with the maintenance of the system.

   Action: It was moved by Commissioner Meiberger and, seconded by Commissioner Casciato to approve the Business Plan for Plan Year 2005-2006.

   Approved by the following vote:
   Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval
   Absent: Wright

4. Retirement System Travel Expense Report for the Period Ending September 30, 2004

   This was an informational item only, no action taken.

5. Governance Committee Meeting Report of October 19, 2004
   Commissioner Casciato presented an oral report of the October 19, 2004 Governance Committee Meeting and summarized the changes to the Governance Policies.

6. Review and Approval of Select Governance Policies and Proposed Amendments:
   - Board Development Policy
   - Board Communication Policy
   - Plan Member Communication Policy
   - Service Provided Selection Policy

   Dr. John Por representing Cortex Applied Research (participating via telephone) engaged in discussion with Board Members about proposed amendments to the Board Development process, Board Communication Policy, Plan Member Communication Policy, Service Provider Policy. The Board Development Policy was

referred back to the Governance Committee for modifications. The current Board Development process will remain in effect until all amendments are complete.

Action: It was moved by Commission Meiberger and, seconded by Commissioner Sandoval to approve the Board Development Policy as amended.

Motion Failed by the following vote:
Ayes: Driscoll, Ellington, and Kim
Noes: Casciato, Meiberger and Sandoval
Absent: Wright

It was moved by Commission Casciato and, seconded by Commissioner Sandoval to approve the Board Communication Policy as amended.

Motion Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, and Sandoval
Noes: Meiberger
Absent: Wright

It was moved by Commission Casciato and, seconded by Commissioner Ellington to approve the Plan Member Communication Policy.

Motion Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, and Sandoval
Noes: Meiberger
Absent: Wright

It was moved by Commission Casciato and, seconded by Commissioner Ellington to approve the Service Provider Selection Policy as amended.

Motion Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, and Sandoval
Noes: Meiberger
Absent: Wright

President Driscoll referred the Board Development Policy back to the Governance Committee for further review.

7. **Approval to Establish a 401(a) Supplemental Tax Deferred Plan for Deferral of Lump-Sum Payments of Vacation Pay, Sick Leave, and Compensatory Time**

The following individuals expressed their concern about the 401(a) Supplemental Tax Deferred Plan and engaged in a lengthy discussion with Retirement Board Members and Staff about the requirements and restrictions of the Plan:

Linda Jang, Maria Guillén Regional Vice President, of the San Francisco Office of Local 790. **Vincent Harrington** Attorney representing Local 790 and the Police Officers Association (POA). **Faye Roe, Sandy Lockwood, Mike Hebel** Attorney representing the POA, **Loretta Bowie, Antoinette Candeleria**, and **Lois Black.**

Action: This item was tabled until the December 2004 Retirement Board Meeting.

8. Approval of the Adoption Agreement and Plan Document for the 401(a) Supplemental Tax Deferred Plan

   Action: This item was tabled until the December 2004 Retirement Board Meeting.

9. Approval of Selection of Vendor and Approval to Enter into Contract Negotiations with Selected Vendor as the Service Provider for the 401(a) Supplemental Tax Deferred Plan

   Action: This item was tabled until the December 2004 Retirement Board Meeting.

10. CONSENT CALENDAR

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

10a. Voluntary Retirement Board List No. 5-04

10b. Decision of Hearing Officers

Virginia E. Asio Effective Date: 2/01/04	2913 Program Specialist Department of Human Services	Ordinary Disability Retirement/Stip Granted
Stanley H. Baroff Effective Date: 3/01/03	Q-4 Police Officer III Police Dept.	Industrial Disability Retirement/Stip Granted
Saundra Blanchard Effective Date: 1/01/04	1428 Unit Clerk DPH-SFGH	Ordinary Disability Retirement Granted
Timothy Dudley Effective Date: 5/24/04	H-2 Firefighter Fire Dept.	Industrial Disability Retirement Granted
Marites R. Hayes Effective Date: 12/06/03	1222 Senior Payroll/Personnel Clerk - Public Utilities Commission	Ordinary Disability Retirement Granted
Wayne M. Kanzaki Effective Date: 10/16/04	Q-3 Police Officer II Police Dept.	Industrial Disability Retirement Granted
Alexander M. King Effective Date: 7/12/03	H-30 Captain Fire Dept.	Industrial Disability Retirement/Stip Granted
Gordon E. Leidecker Effective Date: 10/10/03	H-2 Firefighter Fire Dept.	Industrial Disability Retirement/Stip Granted
Josefina Pacumio Effective Date: 6/17/004	2302 Nursing Assistant Department of Public Health	Ordinary Disability Retirement Granted
Michael Partinico Effective Date: 6/01/04	3417 Gardner Rec. & Park	Ordinary Disability Retirement Granted

Michael Reesink Effective Date: 8/14/04	Q-4 Police Officer III Police Dept.	Industrial Disability Retirement Granted
Joseph A. Scannell Effective Date: 11/04/03	H-6 Investigator Fire Dept.	Industrial Disability Retirement/Stip Granted
Denise Thomas Effective Date: 11/01/03	2305 Psychiatric Technician Department of Public Health	Ordinary Disability Retirement Granted
William Van Hattem	8304 Deputy Sheriff Sheriff's Department	PERS Retirement Granted
Ida Wong Effective Date: 4/24/04	420C Deputy Clerk II Superior Court	Ordinary Disability Retirement Granted
Gregory B. Wyman Effective: 11/02/03	H-2 Firefighter Fire Dept.	Industrial Disability Retirement/Stip Granted

10c. Approval of Request for Travel for Brenda Wright, Commissioner, to attend the Progress Investment Plan Sponsor Conference in Scottsdale, AZ to be held on November 20 through November 23, 2004

10d. Approval of Request for Retirement Board Commissioners, to attend Public Fund Boards Forum in San Francisco, CA on December 5-8, 2004

Action: It was moved by Commissioner Ellington, seconded by Commissioner Casciato, to approve the Consent Calendar.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval
Absent: Wright

11. Executive Director's Report

Executive Director Clare Murphy reported that the San Francisco Unified School District (SFUSD) has not sent a proper data tape (that can be posted) for both its classified and teaching employees since the beginning of the Fiscal Year. It has now been four months since SFERS has been able to post SFUSD employees' data and it has impacted staff's ability to serve those members who wish to leave employment, retire or who die. Staff continues to work with the School District.

Ms. Murphy reported that with respect to negotiations, the Fire Chiefs remain an outstanding group that has not come to agreement with the City. The Cost of Living Adjustment (COLA) for the current period was paid to police officers and firefighters on October 31, 2004; the COLA for Fire Chiefs will not be paid and will be adjusted when agreement is reached with the City.

Ms. Murphy reported that Proposition "E" passed on the November 2, 2004 ballot. This proposition relates to the continuation of benefits to qualified survivors of safety police or fire members who die in the line of the duty. Staff is currently researching to determine the qualified survivors entitled to an adjustment of benefits.

Ms. Murphy informed Board members that Norm Nickens will be joining the Retirement System on November 29, 2004 as the Executive Assistant to the Executive Director.

Ms. Murphy reported the annual statements for the Unified School District will be reissued to reflect the last payroll for the period ending 06-30-04 which was omitted the first time the statements were issued.

INVESTMENT CALENDAR

12. **Approval of Recommendation for Currency Management Program Finalist(s)**
David Kushner, Deputy Director of Investments, and Leslie Kautz, CFA of Angeles Investment Advisors, reviewed staff and consultant recommendations and engaged in question and answers with the Retirement Board.

Action: It was moved by Commissioner Ellington, seconded by Commissioner Kim, to approve Barclays Global Investors, N.A., Bridgewater Associates, Inc., and Pareto Partners to manage the currency overlay program.

Approved by the following vote:
Ayes:Casciato, Driscoll, Elling ton, Kim, Meiberger, Sandoval
Absent: Wright

13. **Review and Approval of Strategic Investment Plan for Alternative Investment Program**
David Kushner, Deputy Director of Investments, Brian Murphy of Portfolio Advisors, and Ken Wisdom of Portfolio Advisors, reviewed the updated Strategic Investment Plan for Alternative Investment Program and addressed the Retirement Boards questions.

Action: It was moved by Commissioner Ellington, seconded by Commissioner Kim to approve the Strategic Investment Plan for the Alternative Investment Program.

Action: Approved by the following vote:
Ayes:Casciato, Driscoll, Elling ton, Kim, Meiberger
Absent: Sandoval, Wright

14. **Approval of Recommendation to Invest Up To $20 million in ABRY Partners**
David Kushner, Deputy Director of Investments, Brian Murphy of Portfolio Advisors, Ken Wisdom of Portfolio Advisors, and Glen Schwartz, Senior Investment Officer, reviewed staff and consultants recommendation and answered Board members questions.

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Ellington to approve the recommendation to invest $20 million in ABRY Partners.

Approved by the following vote:
Ayes:Casciato, Driscoll, Elling ton, Kim, Meiberger
Absent: Sandoval, Wright

15. **Approval of Recommendation to Invest up to $50 million in Secondary Co-Investment Fund-of-Funds**
David Kushner, Deputy Director of Investments, Brian Murphy of Portfolio Advisors, and Ken Wisdom of Portfolio Advisors, reviewed the "Summerwind" Secondary Co-Investment Fund-of-Funds opportunity and addressed Board members questions.

Action: It was moved by Commissioner Ellington, seconded by Commissioner Kim to approve the recommendation to invest $50 million in the secondary co-investment fund-of-funds.

Approved by the following vote:
Ayes:Casciato, Driscoll, Elling ton, Kim, Meiberger, Sandoval
Absent: Wright

Commissioner Kim left the meeting at approximately 11:30 AM and there was no quorum for the remainder of the meeting.

16. Deputy Director for Investment's Report

Deputy Director for Investments David Kushner, reported as of October 31, 2004 the fund was valued at slightly more than $12 billion dollars. Mr. Kushner provided the Board with reports detailing movement of funds between sub-asset classes for the month ended October 31, 2004, as well as current asset and sub-asset class allocation information. Mr. Kushner also informed the Board that the Benefits cash account currently has approximately one month's reserve, and will be replenished in keeping with Board approved policy.

Mr. Kushner reported that the Fund continues to underweight the approved Asset Allocation range in Real Estate, where Staff continues to search for attractive investment opportunities. Additionally, Mr. Kushner noted that as of October 31, the Fund was out of compliance with approved ranges (too high) for Small Cap Core. Instructions have already been given to the manager to raise cash for movement to other asset classes. Mr. Kushner also reported the Fund is underweight in the target allocation range to Large Cap Growth Equities, where a search is currently under way.

Mr. Kushner informed the Board that, barring any significant developments to warrant otherwise, Staff intends to vote in favor of the acquisition of PeopleSoft by Oracle Corp.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

17. Deferred Compensation Manager Report

Carol Cypert, Deferred Compensation Manager reported that there are six responses to the Request for Proposal for Investment Consultant for the 457 Deferred Compensation Plan and a recommendation will be made at the meeting of the Retirement Board in January 2005. Ms. Cypert also provided a monthly activity report from ING for review.

RETIREMENT BOARD MEMBER'S REPORT

18. Board Member's Report

- **Council of Institutional Investors Conference, September 27-38, 2004 (attended by Commissioner Ellington)**
  Commissioner Ellington presented an oral report, including that Ms. Teslik has resigned as Executive Director.
- **8th Annual Plan Sponsor & Pension Consultants' Circle, October 25-26, 2004 (attended by Commissioner Casciato)**
  Commissioner Casciato presented an oral report.

19 . CLOSED SESSION

There was no closed session held.

20. CLOSED SESSION TO CONFER WITH INVESTMENT STAFF TO CONSIDER A PRIVATE EQUITY INVESTMENT

There was no closed session held.

21. FYI – Congratulations Letter from "Denning & Company LLC."

This was an informational item only, no action taken.

22. Adjournment

There being no further business, the Board adjourned its meeting at 1:12 p.m.

Respectfully submitted,

Clare M. Murphy
Executive Director

Please Note: The minutes of this meeting set forth actions taken by the Retirement Board on the matters stated but not necessarily in the chronological sequence in which the matters were considered.

MINUTES

RETIREMENT BOARD

CITY AND COUNTY OF SAN FRANCISCO

30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is dedicated to securing, protecting and prudently investing the pension trust assets, administering mandated benefit programs, and providing promised benefits.

Tuesday, December 12, 2004
8:30 AM

DOCUMENTS DEPT
JAN 14 2005
SAN FRANCISCO
PUBLIC LIBRARY

Roll Call:

Retirement Board
Present: Joseph Driscoll, President
Al Casciato, Commissioner
E. David Ellington, Commissioner
Michael Kim, Commissioner
Herb Meiberger, Commissioner
Gerardo Sandoval, Supervisor

Absent: Brenda Wright, Vice President

Retirement System:
Present: Clare M. Murphy, Executive Director of the Retirement System

Public Comment
Members of the public shall have an opportunity to directly address the Retirement Board on items of interest to the public that are within the subject matter jurisdiction of the Retirement Board, including items being considered today. Members of the public may address the Retirement Board now or at the time an item on today's agenda is being considered. Members of the public may address the Retirement Board for up to five minutes. The President of the Retirement Board may limit the total testimony to 30 minutes.

President Driscoll reviewed the Public Comment procedures for the attendees.

Richard Rothman, Local 790, Service Employees International Union (SEIU), addressed the Retirement Board regarding the position of Actuary to the Board, as well as proposed IRS regulations that would affect the ability of retirees to return to the status of active employment.

REGULAR CALENDAR

1. **Minutes of the November 9, 2004 Board Meeting**

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Casciato to approve the Minutes of the November 9, 2004 Retirement Board Meeting as amended.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval
Absent: Wright

2. **Old and Ongoing Business List**
There were no updates to the list.

3. **Educational Session on Demographic Assumptions**
Clare Murphy, Executive Director, Leslie Finertie and Tom Matthews, representing Towers Perrin presented a written and oral report on this item.

The Board reviewed and discussed the Actuarial Valuation and engaged in a question and answer session.

This was informational item only, no action was taken.

4. **Review of Economic Experience Analysis and Adoption of Economic Assumptions**
Clare Murphy, Executive Director, Leslie Finertie and Tom Matthews, representing Towers Perrin presented a written and oral report on this item.

The Board reviewed and discussed the Economic Experience Analysis and engaged in a question and answer session.

Action: It was moved by Commissioner Casciato, seconded by Commissioner Kim to adopt the Economic Assumptions as recommended.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval
Absent: Wright

5. **Report on Supplemental Cost of Living Adjustments and Recommendation to Approve Supplemental Cost of Living Adjustments Retroactive to July 1, 2004**
Clare Murphy, Executive Director, Leslie Finertie and Tom Matthews, representing Towers Perrin presented a written and oral report on this item.

The Board reviewed and discussed the Report on Supplemental Cost of Living Adjustments and engaged in a question and answer session.

Action: It was moved by Commissioner Casciato, seconded by Commissioner Meiberger to approve the Supplemental Cost of Living Adjustments as recommended.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval
Absent: Wright

Break: 9:55 AM – 10:15AM

6. **Review Draft of the San Francisco Employees' Retirement System Annual Report for Fiscal Year 2003-04**

Clare Murphy, Executive Director, presented a written and oral report on this item.

The Board reviewed and discussed the Draft Annual Report for Fiscal Year 2003-04 and engaged in a question and answer session.

This was an informational item only, no action was taken.

7. **Approval of Adjustment of Retirement Allowance (Requires Ballot Vote)**
   - **Tom Gavin**

Dan Maguire, Deputy City Attorney, presented a written and oral report on this item.

Action: The Board, by individual ballot vote, unanimously approved an adjustment of Disability Retirement Allowance for Thomas Gavin.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval
Absent: Wright

8. **CONSENT CALENDAR**

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

8a. Voluntary Retirement Board List No. 6-04

8b. Decision of Hearing Officers

James Batchelor Effective: 7/1/03	Q-4 Police Officer III Police Dept.	Industrial Disability Retirement/Stip Granted
James S. Beem Effective: 1/8/05	H-3 Paramedic Fire Dept.	Industrial Disability Retirement Denied
Michael Braida Effective: 3/13/04	H-4 Fire Inspector Fire Dept.	Industrial Disability Retirement/Stip Granted
Kenneth T. Cantamout Effective: 4/1/03	Q-4 Police Officer III Police Dept.	Industrial Disability Retirement/Stip Denied
Danny Foley Effective: 01/06/04	H-2 Firefighter Fire Dept.	Industrial Disability Retirement/Stip Granted
Robert I. Gurman Effective: 11/30/04	H-2 Firefighter Fire Dept.	Industrial Disability Retirement/Stip Denied
Timothy P. Heffernan Effective: 7/9/03	H-20 Lieutenant Fire Dept.	Industrial Disability Retirement/Stip Denied

Robert C. Hernandez Effective: 7/1/03	0382 Inspector Police Dept.	Industrial Disability Retirement/Stip Granted
Karl Hillyard Effective: 12/1/04	H-33 EMS Captain Fire Dept.	Industrial Disability Retirement Granted
Lela Kurtz Effective: 3/1/04	2328 Nurse Practitioner DPH/SFGH	Ordinary Disability Retirement/Stip Granted
Revelia Lovings-Nobriga Effective: 6/1/03	2302 Nursing Assistant DPH/LHH	Ordinary Disability Retirement/Vesting Granted
Stephen F. Lynch Effective: 6/30/03	H-3 Paramedic Firefighter Fire Dept.	Industrial Disability Retirement/Stip Granted
Richard Quinn Effective: 6/29/03	H-40 Battalion Chief Fire Dept.	Industrial Disability Retirement/Stip Denied
Robin Schneider (Kurt Schneider – Husband) Effective: 6/28/04	Q-4 Sergeant Police Dept.	Death As A Result Of Duty (DRD) Granted
William F. Serafini Effective: 1/6/03	H-40 Battalion Chief Fire Dept.	Industrial Disability/Retirement/Stip Denied
Robert C. Wertz Effective: 9/20/02	8416 Director of Probation Services - Juvenile Probation Dept.	PERS Granted

8c. **Dismissal of Industrial Disability Retirement Application**
Neil S. Shea
Douglas Stinson

8d. **Petition for Rehearing**

Teresita Reyes Effective: 5/1/01	2320 Registered Nurse DPH/SFGH	Ordinary Disability Retirement Denied
Larry M. Trail Effective Date: 1/1/04	9122 Transit Information Clerk – Muni	Ordinary Disability Retirement Denied

8e. **Approval of Request for Travel for Dan Maguire, Deputy City Attorney, to attend the NAPPA 2005 Conference on February 2-3, in Washington, DC.**

8f. **Approval of Request for Travel for Herb Meiberger, Commissioner, to attend the Pacific Pension Institute Conference, to be held on February 2-4, 2005 in Marina del Rey, CA.**

8g. **Approval of Request for Travel for Al Casciato and Gerardo Sandoval, Commissioners, to travel to La Quinta, CA on February 3-5, 2005 for the RREEF Conference.**

Commissioner Driscoll asked for verification that the dues had been budgeted and paid for the Pacific Pension Institute. Clare Murphy, Executive Director, verified that the dues had been budgeted and paid.

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Casciato to approve the Consent Calendar.

Approved by the following vote:

Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval
Absent: Wright

9. **Executive Director's Report**
Executive Director Clare Murphy welcomed the Board to a happy holiday and prosperous New Year on behalf of herself and staff.

Ms. Murphy reported that the San Francisco Unified School District continues to have difficulties complying with payroll changes, as has previously been reported to the Board, for both its classified and certified teaching employees. This continues to be the only payroll system that has difficulty making basic adjustments. Staff continues to work with the School District to address this issue.

With respect to negotiations that impact the Pension Plan, the Fire Department's Chief and Deputy Chief ranks remain in negotiation with the City for the period starting July 1, 2004. The City is getting ready to commence its MOU negotiation process with a limited number of labor organizations, including MUNI drivers, Nurses, and the Municipal Attorney's Association.

Ms. Murphy reported that on November 8, 2004 the internal Revenue Service (IRS) issued a letter impacting implementation of the proposed §401(A) Tax Deferred Transfer Plan that had been adopted by the voters in the March, 2004 election. The IRS determination established eight criteria that a §401(A) would be required to meet in order for the Plan to provide the anticipated tax benefits. There are several critical criteria that our Plan cannot meet, the most critical being that the voter approved Plan is intended to apply only to member earnings that occur after the date of retirement (such as in lieu payments for unexpended sick leave, vacation balances or compensatory time). The IRS determination specifically requires that the Plan cannot be the exclusive recipient of post-retirement earnings. This presents a conflict of laws with the Plan as adopted by the voters, and will prevent the Plan from being implemented as adopted given the existing Charter and IRS requirements.

Richard Rothman, Local 790, SEIU addressed the Board to comment that he appreciated the time that Staff and Board had taken to meet with the Union to discuss this issue.

Ms. Murphy reported that a Forward Calendar was not yet available, and that it was anticipated that a draft Forward Calendar would be circulated in early January 2005. A Proposed Committee and Monthly Board Meeting Schedule was distributed with the Board Packet, and Ms. Murphy and her Executive Assistant, Norm Nickens, will be following up with Committee Chair's to determine a final schedule. Commissioner Meiberger discussed the vacant position of Actuary and requested that the Personnel Committee be prioritized. Commissioner Ellington inquired as to whether an offer had been made on the Actuary position in the last few months and if the position was currently being advertised. Ms. Murphy confirmed that an offer had been made and was declined within the last six months and that the position is currently posted on the City's web site and in the Newsletter of the Society of Actuaries. The position remains open until filled.

With respect to Charter Amendment updates, staff has identified survivors eligible to receive an increase in benefits as a result of the passage of proposition E, which increased the benefits for survivors of Police or Firefighters who have died in the line of duty.

The Mayor's Office, Controller's Office, and Department of Human Resources have notified approximately 170 individuals of layoffs to effective January 15, 2005. The legislative process to address these vacancies is still in process, and when and if the positions are eliminated from the budget the City will have an obligation under Proposition F to notify these individuals of their potential right to an early retirement benefit.

Assembly Member Richman has introduced a proposed State Constitutional Amendment which would eliminate for new hires, on or after July 1, 2007 the opportunity for public sector employees to participate in defined benefit pension plans. It does provide however that defined contributed plans will be provided with a constitutionally set maximum employer contribution to such a plan. The language as currently drafted does propose to eliminate the right of voters in Charter cities and counties to determine their pension benefits, which is authority currently granted under the home-rule section of the State Constitution. The City Attorney's Office has been notified of the proposed Constitutional Amendment, which would have a great impact upon City employees. This is an issue that is very significant to Plan participants, as it would require for all new hires that the only benefit that could be provided to public employees in the State of California would be a defined contribution plan. This plan would not be administered by bodies such as the Board, except to the extent that they would be able to hire third party administrators to oversee the administration, education, investment, and pay out of benefits to members.

In response to questions from Supervisor Sandoval, Ms. Murphy clarified that the proposed amendment would only apply to employees hired after July 1, 2007 and would mandate the hiring of a third party administrator. Ms. Murphy further noted that the home rule provisions of the State Constitution were not contained in the sections to be amended, and this issue would have to be addressed in further legal analysis.

Commissioner Casciato inquired regarding the experience of other plans that have moved from defined benefit to defined contribution. He also requested that the Board consider adopting a position on this item as soon as possible, and also recommended that the Board of Supervisors consider adopting a position as well. Commissioner Meiberger concurred with encouraging the Board and Board of Supervisors to adopt a position in opposition to the proposed Amendment.

Ms. Murphy noted that the Retirement System, through its membership in CALAPRS, is currently gathering additional information on the potential impact of the proposed Amendment. Ms. Murphy further noted that she was in contact with the Controller's Office and the City's legislative lobbyists and that this matter would be on calendar for a vote on a position at a future meeting.

Marguerite Young and Richard Rothman, Local 790, SEIU noted that this legislation is a high priority for labor organization throughout the State of California and encouraged the Board to adopt a position in opposition. Ms. Murphy and Commissioner Casciato again clarified that any active participants in the plan before July 1, 2007 would not be affected by the legislation.

Commissioner Driscoll noted that there are a number of protections currently in place for current members, and that these protections would remain in place.

Richard Rothman, Local 790, SEIU, inquired regarding the status of a report on the implementation of the Proposition F early retirement process. Ms. Murphy responded that upon the conclusion of the Board's primary activity regarding funding the Plan, scheduled to be voted upon at its February meeting, the staff and consultants will be developing a report on the early retirements taken under Proposition F through December 31, 2004. This report will be made available to the Board and the Board of Supervisors prior to the expiration of the current sunset provision in Proposition F on June 30, 2005; the Board of Supervisors may vote to extend the early retirement program.

Ms. Murphy provided a list of educational opportunities for Board members. If any Board member is interested in attending any of these events, they should contact her office.

INVESTMENT CALENDAR

10. **Report on Performance of Alternative Investments Program for Period ended 06/30/2004**
David Kushner, Deputy Director for Investments, and Brian Murphy and Ken Wisdom, representing Portfolio Advisors, presented a written and oral report for the Board on this item.

The Board reviewed and discussed the report and engaged in a question and answer session.

Commissioner Kim inquired regarding the impact of being a public fund subject to public record requests, and has this impacted the fund. Ken Wisdom responded that strategic management of limited partnership exposure risk might have resulted in the limitation of some investment opportunities, however this has been mitigated to some extend through the use of a fund-of-funds approach.

Commissioner Kim further inquired regarding the recent release of manager's fees by CALPERS, including how staff and consultants were proactively responding. Staff and consultants confirmed that similar data were available.

Commissioner Meiberger requested that the methodology for indicating returns (time-weighted or dollar-weighted) be indicated in the report.

This was an informational item only, no action was taken.

11. **Review and Approval of 2005 Annual Investment Plan for Alternative Investment Program**
David Kushner, Deputy Director for Investments, and Brian Murphy and Ken Wisdom, representing Portfolio Advisors, presented a written and oral report for the Board on this item.

The Board reviewed and discussed the report and engaged in a question and answer session.

Commissioner Driscoll recommended that further attention be paid to investment opportunities in Asia.

Commissioner Ellington supported the development of additional expertise in the area of international investments to assist the Board in making prudent investments.

Commissioner Meiberger inquired regarding the assumptions for the growth of the fund and the targets for Alternative Investment.

Action: It was moved by Commissioner Ellington, seconded by Commissioner Kim to approve the Recommendation.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger
Absent: Wright, Sandoval

12. **Approval of Recommendation to Revise Investment Guidelines for Oaktree Capital Management High Yield Fixed Income**
David Kushner, Deputy Director for Investments, Carl Wilberg, Senior Investment Officer, and Leslie Kautz, representing Angeles Advisors, presented a written and oral report for the Board on this item.

Action: It was moved by Commissioner Ellington, seconded by Commissioner Meiberger to approve the Recommendation.

Approved by the following vote:
Ayes. Casciato, Driscoll, Ellington, Kim, Meiberger
Absent: Wright, Sandoval

13. **Approval of Recommendation for Finalist(s) for Large Cap Growth Equity Investment Management Services**

David Kushner, Deputy Director for Investments, Carl Wilberg, Senior Investment Officer, and Leslie Kautz, representing Angeles Advisors, presented a written and oral report for the Board on the item relating to the Recommendation for Finalists for Large Cap Growth Equity Investment.

The Board reviewed and discussed the report and engaged in a question and answer session.

Commissioner Meiberger noted that Intech is majority owned by Janus Corporation, and inquired as to whether that was a potential problem. Ms. Kautz responded that Intech was not involved in the SEC issues involving Janus, this had been discussed in their interview, and there was no indication of wrongdoing on the part of Intech. Commissioner Meiberger further noted that he had concerns regarding the small size of Profit.

Mr. Kushner clarified that the Board would be requesting a plan for allocation at its January meeting, however this would not prevent investment staff from initiating contract negotiation discussion.

Action: It was moved by Commissioner Driscoll, seconded by Commissioner Kim to approve the Recommendation for Finalists for Large Cap Growth Equity Investment, amended to retain Transamerica Investment Management, Sands Investment Management, Profit investment Management, and adding Intech (using their S&P 500 Barra Growth Product), and requesting staff to come back with an allocation recommendation minimizing fees, minimizing tracking error, and with best expected return.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim,
Against: Meiberger
Absent: Wright, Sandoval

14. **Report on the Performance of the Retirement Fund for the Quarter Ending 09/30/04**

David Kushner, Deputy Director for Investments, presented a written and oral report for the Board on this item. For the Quarter ended 9/30/04, the Retirement Fund was valued at $11.9 billion, providing a total return of 1.19% for the quarter.

This was an informational item only, no action was taken.

15. **Report on Manager Monitoring List – Activities**

David Kushner, Deputy Director for Investments, presented a written and oral report for the Board on this item.

In May 2002, the Retirement Board adopted a Manager Monitoring and Retention Policy establishing general guidelines for monitoring investment managers. This report summarized activities related to the implementation of the policy. The following managers have returned to "Good Standing": Dreyfus Management Trust Co., and Fisher, Francis, Trees and Watts (FFTW). The following managers remain "Under Review": Capital International Emerging Markets Growth Fund (EMGF), RCM Global Investors,

and the Capital Guardian Trust Co. EAFE account. The following managers have been added to the list of managers "Under Review."

This was an informational item only, no action was taken.

16. Report on Brokerage Commissions Generated by the Retirement Fund during the Quarter Ended 09/30/04

David Kushner, Deputy Director for Investments, presented a written and oral report for the Board on this item. For the Quarter ended 09/30/04, the Retirement Fund generated total commissions of approximately $1.3 million, of which the System recaptured approximately $178,000, or 13.7 percent. Brokerage directed to Disadvantaged Business Enterprises totaled approximately $125,600, or just over 9.5 percent of the total.

This was an informational item only, no action was taken.

17. Deputy Director for Investment's Report

David Kushner, Deputy Director for Investments, reported that as of November 30, 2004 the fund was valued at approximately $12.5 billion dollars. Mr. Kushner provided the Board with reports detailing movement of funds between sub-asset classes for the month ended November 30, 2004, as well as current asset and sub-asset class allocation information.

Mr. Kushner reported that the Fund continues to be underweight the approved Asset Allocation range in Real Estate, where Staff continues to search for attractive investment opportunities. Additionally, he noted that as of November 30, the Fund was out of compliance with approved ranges (too high) for Small Cap Core and Small Cap Value. Instructions have already been given to the managers to raise cash for movement to other asset classes. Mr. Kushner also reported the Fund is underweight the target allocation range to Large Cap Growth (see previous agenda item regarding Large Cap Growth Recommendation), and Large Cap Value Equities, where additional funding is taking place to reduce the underweight position.

Mr. Kushner informed the Board that PeopleSoft has agreed to be acquired by Oracle Corp. at $26.50 per share, ending a long takeover battle.

This was an informational item only, no action was taken.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

18. Deferred Compensation Manager Report

This item was not heard and was continued to the January 11, 2005 Board meeting.

RETIREMENT BOARD MEMBER'S REPORT

19. Board Member's Report

- Progress Investment Plan Sponsor Conference, November 20-23, 2004 (attended by Commissioner Wright). No report was made due to Commissioner Wright's absence.

- Public Fund Boards Forum, December 5-8, 2004 (attended by Commissioner Casciato, Ellington, Meiberger, and Wright)

This was an informational item only, no action was taken.

20. CLOSED SESSION

The Retirement Board met in closed session pursuant to Government Code sec. 54956.9(a) and Administrative Code sec. 67.10. regarding Theresa Juergens, SFFD: Application for Industrial Disability Retirement, AAA 741270206502 CRMA.

Action: It was moved by Commissioner Kim, seconded by Commissioner Casciato to meet in Closed Session.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger,
Absent: Wright and Sandoval

Reconvene in open session:

A) Possible report on action taken in closed session (Government Code section 54957.1(a)(2) and San Francisco Administrative Code section 67.12(b)(2).

Action: It was moved by Commissioner Kim, seconded by Commissioner Casciato to approve City Attorney report on action taken.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger,
Absent: Wright and Sandoval

B) Vote to elect whether to not disclose any or all discussions held in closed session (San Francisco Administrative Code section 67.12(a).)

Action: It was moved by Commissioner Kim, seconded by Commissioner Casciato not to disclose discussion held in Closed Session.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger,
Absent: Wright and Sandoval

21. FYI – "Tough Fiduciary Decisions About Your Plan Professionals" (Benefits & Compensation Digest) – Article submitted by Commissioner Al Casciato

This was an informational item only, no action was taken.

22. **Adjournment**

There being no further business, the Board adjourned its meeting at 1:15 p.m.

Respectfully submitted,

Clare M. Murphy
Executive Director

Please Note: The minutes of this meeting set forth actions taken by the Retirement Board on the matters stated but not necessarily in the chronological sequence in which the matters were considered.

MINUTES
RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is dedicated to securing, protecting and prudently investing the pension trust assets, administering mandated benefit programs, and providing promised benefits.

Tuesday, January 11, 2005
8:30 AM

Roll Call:

Retirement Board
Present: Brenda Wright, Vice President
Al Casciato, Commissioner
E. David Ellington, Commissioner
Michael Kim, Commissioner
Herb Meiberger, Commissioner
Gerardo Sandoval, Supervisor

DOCUMENTS DEPT.
FEB 25 2005
SAN FRANCISCO
PUBLIC LIBRARY

Absent: Joseph Driscoll, President

Retirement System:
Present: Clare M. Murphy, Executive Director of the Retirement System

Public Comment
Members of the public shall have an opportunity to directly address the Retirement Board on items of interest to the public that are within the subject matter jurisdiction of the Retirement Board, including items being considered today. Members of the public may address the Retirement Board now or at the time an item on today's agenda is being considered. Members of the public may address the Retirement Board for up to five minutes. The President of the Retirement Board may limit the total testimony to 30 minutes.

Vice President Wright reviewed the Public Comment procedures for the attendees.

Richard Rothman, Local 790, Service Employees International Union (SEIU), addressed the Retirement Board to clarify his statement from last meeting, stating that there should be two professionals reporting to the Board; there is an acting Actuary in the person of the Executive Director. He also addressed item # 8, the proposed resolution regarding the Richman Constitutional amendment, noting that there may also be an Initiative circulated to place a State Constitutional Amendment on the ballot setting contribution rates, and that this should be opposed as well.

REGULAR CALENDAR

1. Minutes of the December 14, 2004 Board Meeting

Action: It was moved by Commissioner Sandoval, seconded by Commissioner Meiberger to approve the Minutes of the December 14, 2004 Retirement Board Meeting as amended.

Approved by the following vote:
Ayes. Casciato, Ellington, Kim, Meiberger, Sandoval, Wright
Absent: Driscoll

2. Old and Ongoing Business List

There were no updates to the list.

3. Review of Demographic Experience over the Period of June 30, 2001 to June 30, 2004

Clare Murphy, Executive Director, Leslie Finertie and Tom Matthews of Towers Perrin presented an oral and written report on this item.

The Board reviewed and discussed the Review of Demographic Experience and engaged in a question and answer session.

Lois Black, member SEIU Local 790, asked why rates were not broken out for Safety and Miscellaneous members in the report and does this accurately reflect the impact on Miscellaneous employees. Ms. Finertie responded that rates are broken out in the Valuation, which will be presented to the Board at the next meeting.

Commissioner Sandoval inquired regarding the impact of the early retirement of higher paid employees. Ms. Finertie reported that if positions are not filled, they might be able to pay for the higher cost to the fund.

Commissioner Casciato inquired regarding the impact of the current three-plus-three program. Ms. Murphy reported that a full report would be made available to the Board and the Board of Supervisors by June 2005.

This was an informational item only, no action was taken.

4. Adoption of Recommended Demographic Assumptions

Clare Murphy, Executive Director, Leslie Finertie and Tom Matthews of Towers Perrin presented an oral report on this item.

The Board reviewed and discussed the Recommended Demographic Assumptions and engaged in a question and answer session.

Action: It was moved by Commissioner Sandoval, seconded by Commissioner Ellington to approve the Adoption of the Recommended Demographic Assumptions.
Approved by the following vote:
Ayes: Casciato, Ellington, Kim, Meiberger, Sandoval, Wright
Absent: Driscoll

5. **Approval of the San Francisco Employees' Retirement System Annual Report for Fiscal Year 2003-04**

Clare Murphy, Executive Director, presented an oral and written report on the item.

Commissioner Meiberger presented technical/grammatical changes to staff.

Commissioner Kim expressed interest in the Board's policy regarding Public Records reporting on Private Equity. Staff responded that the issue would be presented as a 2004-2005 activity.

Action: It was moved by Commissioner Ellington, seconded by Commissioner Meiberger to approve the Annual Report as amended.

Approved by the following vote:
Ayes: Casciato, Ellington, Kim, Meiberger, Sandoval, Wright
Absent: Driscoll

6. **Report on the Preliminary Review of the Budget for Fiscal Year 2005-06 for the San Francisco City Employees' Retirement System**

Clare Murphy, Executive Director and Jay Huish, Deputy Director presented an oral and written report on this item. The Finance Committee will be meeting to review on January 18, 2005.

The Board reviewed and discussed the Budget for Fiscal Year 2005-06 and engaged in a question and answer session. Commissioner Sandoval requested that the Finance Committee review the issue of televising Board meetings and requested an update on the Newsletter. Ms. Murphy reported that Newsletters are currently being drafted for active and retired members, the budget currently includes costs for up to two Newsletters per year for actives and retirees.

Commissioner Ellington supported review of televising the meetings and implementing a regular Newsletter; Commissioners Meiberger and Wright also supported televising the meetings.

Commissioners discussed the frequency of the proposed Newsletter, and merits of separate versus combined Newsletters for actives and retirees.

Jean Thomas requested clarification that a retiree Newsletter would be sent out at the time of the 1099Rs and the active Newsletter would be sent out in March. She also raised the issue of the existing sound system in the room and the difficulty to hear speakers.

Commissioner Kim inquired regarding the acceptance of paid advertisements in the Newsletters.

This was an informational item only.

7. **Semi Annual Review of the Disability Application Process**

Norm Nickens, Executive Assistant, presented an oral and written report on this item.

The Board reviewed and discussed the Semi Annual Review of the Disability Application Process and engaged in a question and answer session.

This was an informational item only.

8. Resolution Urging Opposition to Proposed Assembly Constitutional Amendment (ACA) 5 (Richman)

Clare Murphy, Executive Director, presented an oral and written report on this item.

The Board reviewed and discussed the proposed Resolution and engaged in a question and answer session.

Commissioner Casciato inquired as to whether the Board of Supervisors had taken action on a similar resolution. Ms. Murphy reported that a similar resolution had been passed by the Board and was currently pending in the Mayor's Office.

Commissioner Kim noted that there were some benefits from defined contribution plans, including several successful plans at the state level and in the private sector, and this issue should be further researched.

Marguerite Young, Local 790, SEIU, noted that most large employers utilized defined contribution plans, and that defined contribution plans could be used to supplement defined benefit plans. She urged support of the proposed resolution. She inquired if the resolution as drafted would address any ballot initiatives based on the proposed Constitutional Amendment. Ms. Murphy clarified that that Resolution would be so worded.

Action: It was moved by Commissioner Ellington, seconded by Commissioner Meiberger to approve the Resolution Urging Opposition to Proposed Assembly Constitutional Amendment (ACA) 5 (Richman).

Approved by the following vote:
Ayes: Casciato, Ellington, Meiberger, Sandoval, Wright
Noes: Kim
Absent: Driscoll

9. Adjustment of Retirement Allowance – Scott Roberts
Clare Murphy, Executive Director, presented an oral and written report on this item.

Action: To increase Retirement Allowance to 55%.

Approved by the following ballot vote:
Ayes: Casciato, Ellington, Kim, Meiberger, Sandoval, Wright
Absent: Driscoll

10. **CONSENT CALENDAR**
All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

10a. Voluntary Retirement Board List No. 7-04

10b. Decision of Hearing Officers

Janet L. Fullecido Effective: 9/01/04	2302 Nursing Assistant DPH/LHH	Ordinary Disability Retirement/Vesting Granted

Danny E. Gagen Effective: 4/01/04	3417 Gardener Muni	Ordinary Disability Retirement Granted
Doris M. Hall	8444 Deputy Probation Officer Adult Probation	PERS Granted
Jessie M. Hooker Effective: 9/11/04	2905 Senior Eligibility Worker DHR	Ordinary Disability Retirement/Stip Granted
Dorothy M. Johnson Effective: 3/01/04	2302 Nursing Assistant DPH/LHH	Ordinary Disability Retirement Granted
Veronica L. Johnson Effective: 4/01/04	1426 Senior Clerk Typist Building Inspection	Ordinary Disability Retirement Granted
James Mason Effective: 8/01/03	H-10 Chief's Operator Fire	Industrial Disability Retirement/Stip Denied
Janice M. Wimberly-Taylor Effective Date: 8/1/04	3284 Recreation Director Rec. & Park	Ordinary Disability Retirement Granted
Tony Wong Effective: 8/01/04	2708 Custodian Community College District	Ordinary Disability Retirement/Vesting Granted

10c. Dismissal of Ordinary and Industrial Disability Applications

Brenda S. Brigham	Ordinary Disability Retirement
Anna M. Cairns	Ordinary Disability Retirement
Larry D. Del Carlo	Ordinary Disability Retirement
Leal K. Ugrin	Industrial Disability Retirement

10d. Approval of Travel for Board Members to attend the CALAPRS Trustees' Roundtable to be held on February 4, 2005 in San Jose, CA.

10e. Approval of Request for Travel for E. David Ellington, Commissioner, to attend the Pacific Pension Institute Conference, to be held on February 2-4, 2005 in Marina del Rey, CA.

10f. Approval of Request for Travel for Michael Kim, Commissioner, to Travel to Palm Beach, FL, on February 13-16, 2005 for the World Pension Forum – Alternative Investments Conference.

10g. Approval of Travel for Board Members to attend the CALAPRS General Assembly to be held on February 27 – March 1, 2005 in Monterey, CA.

10h. Approval of Request for Travel for Al Casciato, Commissioner, to Travel to Phoenix, AZ on March 13-16, 2005 for the Information Management Network Public Funds Summit.

Action: It was moved by Commissioner Casciato, seconded by Commissioner Kim to approve the Consent Calendar.
Action: Approved by the following vote:
Ayes: Casciato, Ellington, Kim, Meiberger, Sandoval, Wright
Absent: Driscoll

Commissioner Sandoval Absent 10:30 AM

11. Executive Director's Report

Clare Murphy, Executive Director, presented an oral and written report on the item. As has previously been reported, the San Francisco Unified School District continues to experience difficulties in posting payroll information.

The City remains in negotiation with the Firefighters, although the Police and Fire supplemental changes will be implement in January 2005. Supplemental Cost of Living Adjustment Updates will be included in the February check to retirees.

Proposed Internal Revenue Service regulations regarding Phased Retirement have been distributed to the Board and staff; the regulations have not been promulgated, only circulated in draft as part of a regulatory process. Staff will continue to monitor this item.

Staff will be impacted FY04-05 interim budget layoffs; two bumps are anticipated at SFERS as of January 18, 2005. Ms. Murphy explained the bumping process.

Northern Trust will be sponsoring Emerging Broker Investment Forum on January 26, 2005. A Senior Investment Officer position will become vacant in February as a result of a planned retirement and recruitment will begin for the vacant Security Analyst position.

Copies of the Forward Calendar and Educational Opportunities List were provided to the Board.

This was an informational only item.

Break 10:35 – 10:45

INVESTMENT CALENDAR

12. **Approval of Recommendation to Invest up to $ 25 Million in Weston Presidio V, LP**

David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, and Kenneth Wisdom, Portfolio Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session on this item.

Action: It was moved by Commissioner Ellington, seconded by Commissioner Meiberger to approve the recommendation.
Ayes: Casciato, Ellington, Kim, Meiberger, Wright
Absent: Driscoll, Sandoval

13. **Approval of Recommendation for Investment Guidelines for Large Cap Growth Equity Investment Management**

David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

The Board engaged in a question and answer session on this item.

Action: It was moved by Commissioner Ellington, seconded by Commissioner Kim to approve the recommendation.

Action: Approved by the following vote:
Ayes: Casciato, Ellington, Kim, Wright
Noes: Meiberger
Absent: Driscoll, Sandoval

14. Deputy Director for Investment's Report

David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

There were no proxies or corporate actions.

Staff presented a report on the Securities Litigation Monitoring and Advisory Service Provider search. Only three bidders submitted proposals (one non-responsive). Staff will enter into contract negotiation with Investor Responsibility Support Services, Inc.

The Board engaged in a question and answer session on this item.

This was an informational only item.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

14. Update Regarding Proposals for Investment Consultant for the 457 Deferred Compensation Plan

Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item. Board members were invited to review the RFPs that are under consideration.

Commissioner Meiberger expressed a preference for Board members to interview the bidders. Commissioners discussed the possibility of rescheduling the Deferred Compensation Committee meeting from March to prior to February 8, 2005. The Board agreed to conduct oral presentations at March 15, 2005 meeting of the Deferred Compensation Committee. Staff will report back in February as to any impact of change and delay in contracting.

The Board engaged in a question and answer session on this item.

This was an informational only item.

16. Deferred Compensation Manager Report

Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

The Board engaged in a question and answer session on this item.

This was an informational only item.

RETIREMENT BOARD MEMBER'S REPORT

17. Board Member's Report

No travel during the period.

Commissioner Ellington expressed thanks for the efforts and consideration of staff on his behalf during his recent tsunami experiences in Thailand.

18. FYI –Dan Maguire, Deputy City Attorney introduced Caryn Bortnick, new Deputy City Attorney on Retirement team
    a. How Consultants Can Retire on Your Pension
    b Policy Concerning Political Contributions and Prohibitions on Investment Management Business

    This was an informational only item.

19. FYI – Submitted by Al Casciato, Commissioner – "Borrowing Trouble"

    This was an informational only item.

20. FYI – Submitted by Herb Meiberger, Commissioner – "Public Fund Boards Forum"

    This was an informational only item.

21. Adjournment:

    There being no further business, the Board adjourned its meeting at 11:35 AM

    Respectfully submitted,

    Clare M. Murphy
    Executive Director

Please Note: The minutes of this meeting set forth actions taken by the Retirement Board on the matters stated but not necessarily in the chronological sequence in which the matters were considered.

RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is dedicated to securing, protecting and prudently investing the pension trust assets, administering mandated benefit programs, and providing promised benefits.

DOCUMENTS DEPT.
MAR 14 2005
SAN FRANCISCO
PUBLIC LIBRARY

Minutes of Tuesday, February 8, 2005

8:30 AM

Roll Call:

Retirement Board
Present: Joseph Driscoll, President
Al Casciato, Commissioner
E. David Ellington, Commissioner
Michael Kim, Commissioner
Herb Meiberger, Commissioner
Gerardo Sandoval, Supervisor

Absent: Brenda Wright, Vice President

Retirement System:
Present: Clare M. Murphy, Executive Director of the Retirement System

Public Comment
Members of the public shall have an opportunity to directly address the Retirement Board on items of interest to the public that are within the subject matter jurisdiction of the Retirement Board, including items being considered today. Members of the public may address the Retirement Board now or at the time an item on today's agenda is being considered. Members of the public may address the Retirement Board for up to five minutes. The President of the Retirement Board may limit the total testimony to 30 minutes.

President Driscoll reviewed the Public Comment procedures for the attendees.

There was no Public Comment received.

REGULAR CALENDAR

1. Minutes of the January 11, 2005 Board Meeting

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Casciato to approve the Minutes of the January 11, 2005 Retirement Board Meeting as amended.

Approved by the following vote:

Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval,
Absent. Wright

Brenda Wright, Vice President present at 8:40

2. **Review and Adoption of Actuarial Valuation as of July 1, 2004**

Clare Murphy, Acting Actuary, Leslie Finertie and Tom Matthews, representing Towers Perrin, presented a written and oral report on this item.

The Board reviewed and discussed the Actuarial Valuation and engaged in a question and answer session.

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Wright to adopt the Actuarial Valuation as of July 1, 2004.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval, Wright
Absent:

3. **Approve Recommended City Retirement Contributions Rates for Fiscal Year 2005-2006**

Clare Murphy, Acting Actuary, Leslie Finertie and Tom Matthews, representing Towers Perrin, presented a written and oral report on this item.

The Board reviewed and discussed the recommended City Retirement Contributions Rates and engaged in a question and answer session.

Action: It was moved by Commissioner Casciato, seconded by Commissioner Meiberger to approve the recommended City Retirement Contributions Rates for Fiscal Year 2005–2006.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval, Wright
Absent:

4. **Determination and Approval of Credited Interest Rate for Fiscal Year 2005-2006**

Clare Murphy, Acting Actuary, Leslie Finertie and Tom Matthews, representing Towers Perrin, presented a written and oral report on this item.

The Board reviewed and discussed the Credited Interest Rate and engaged in a question and answer session.

Action: It was moved by Commissioner Sandoval, seconded by Commissioner Wright to approve the Credited Interest Rate for Fiscal Year 2005-2006.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval, Wright
Absent:

5. Adoption of Recommended Disability Mortality Assumptions

Clare Murphy, Acting Actuary, Leslie Finertie and Tom Matthews, representing Towers Perrin, presented a written and oral report on this item.

The Board reviewed and discussed the recommended Disability Mortality Assumptions and engaged in a question and answer session.

Action: It was moved by Commissioner Ellington, seconded by Commissioner Casciato to approve the recommended Disability Mortality Assumptions.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval, Wright
Absent:

6. Recommendation to Approve Actuarial Operating Factor Tables, Effective July 1, 2005

Clare Murphy, Acting Actuary, Leslie Finertie and Tom Matthews, representing Towers Perrin, presented a written and oral report on this item.

The Board reviewed and discussed the recommended Actuarial Operating Factor Tables, effective July 1, 2005, and engaged in a question and answer session.

Action: It was moved by Commissioner Meiberger, seconded by Commissioner Wright to approve the Actuarial Operating Factor Tables.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval, Wright
Absent:

Commissioner Sandoval left at 10:40 AM.

7. Final Approval of Budget for Fiscal Year 2005-2006 for the San Francisco City Employee's Retirement System

Jay Huish, Deputy Director, and Jim Burruel, Finance Manager, presented a written and oral report on this item.

Commissioner Kim reported back on the January 18, 2005 Finance Committee meeting, which included discussion of the annual audit, review of the proposed budget, and discussion of televising board meetings.

The Board reviewed and discussed the proposed budget and engaged in a question and answer session.

Action: It was moved by Commissioner Kim, seconded by Commissioner Wright to approve the Fiscal Year 2005-2006 Budget.

Commissioner Meiberger requested the amendment of the motion to separate the Cortex Consulting line item under personal services for a separate vote, the maker of the original motion did not agree to the amendment.

Commissioner Meiberger indicated that he would vote against the budget due to the inclusion of the Cortex Consulting line item under personal services.

Commissioner Driscoll requested the amendment of the motion to delete the membership fee for the Pacific Pensions Institute from the budget. Commissioner Kim as the maker, and Commissioner Wright as the second agreed to the amendment to delete the membership fee contingent that there would be no change in conference participation rates for non-members. Staff will confirm the impact of not becoming a member and report back at the March meeting.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Wright
Noes: Meiberger
Absent: Sandoval

8. **Old and Ongoing Business List**

There were no updates to the list.

9. **Retirement System Travel Expense Report for the Period Ending December 31, 2004**

Staff presented a written report on this item.

The Board engaged in a question and answer session on this item.

This was an information only item.

10. **Personnel Committee Report of the Meeting held on January 18, 2005**

Commissioner Casciato reported on the January 18, 2005 Personnel Committee meeting, including history of the recruitment efforts for the position of Actuary, request for staff to prepare a cost/benefit analysis on the use of an external search firm, and request for staff to prepare a job analysis. This information will be reported at the May 17, 2005 meeting of the Personnel Committee.

The Board engaged in a question and answer session on this item.

This was an information only item.

11. **Adjustment of Retirement Allowance – Bruce W. Clement**

Staff presented a written report recommending adjustment of the industrial disability retirement allowance to the Charter authorized amount of 67%.

Action: Adopt Staff recommendation
Passed: By ballot vote, 6-0 (Sandoval absent)

12. **Adjustment of Retirement Allowance – Marlene E. Willhoite**

Staff presented a written report recommending adjustment of the industrial disability retirement allowance to the Charter authorized amount of 79%.

Action: Adopt Staff recommendation
Passed: By ballot vote, 6-0 (Sandoval absent)

13. **CONSENT CALENDAR**

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

13a. Voluntary Retirement Board List No. 8-04

13b. Decision of Hearing Officers

Leah T. Abuan-Smith Effective Date: 2/1/04	2312 Licensed Vocational Nurse Dept. of Public Health	Ordinary Disability Retirement Granted
Robert Bieber Effective Date: 1/18/03	H-2 Firefighter Fire Department	Industrial Disability Retirement Granted
John J. Carvajal Effective Date: 07/07/03	H-20 Lieutenant Fire Department	Industrial Disability Retirement/Stip Granted
James Cavellini Effective Date: 10/1/01	H-50 Assistant Chief of Dept. Fire Department	Industrial Disability Retirement/Stip Granted
Luzviminda A. Esparrago Effective Date: 4/1/04	2312 Licensed Vocational Nurse Dept. of Public Health/SFGH	Ordinary Disability Retirement/Vesting Granted
Mark Evanoff Effective Date: 12/17/04	H-2 Firefighter Fire Department	Industrial Disability Retirement Granted
Michael Fauss Effective Date: 08/01/03	H-20 Lieutenant Fire Department	Industrial Disability Retirement/Stip Granted
Lillian C. Hamilton Effective Date: 7/1/04	2302 Nursing Assistant Dept. of Public Health/LHH	Ordinary Disability Retirement/Stip Granted
Henry E. Hauff Effective Date: 10/23/04	2905 Senior Eligibility Worker Dept. of Human Services	Ordinary Disability Retirement/Stip Granted
Dindo C. Lopez Effective Date: 10/01/04	9163 Transit Operator Muni Department	Ordinary Disability Retirement/Vest. Granted
Daniel Murphy Effective Date: 02/02/04	H-30 Captain Fire Department	Industrial Disability Retirement/Stip Granted
James Rohrs Effective Date: 11/08/03	H-2 Firefighter Fire Department	Industrial Disability Retirement/Stip Granted

Roberto Salinas Effective Date: 1/7/03	Q-52 Sergeant III Police Department	Industrial Disability Retirement/Stip Granted
David A. Southern Effective Date: 03/22/05	Q-2 Police Officer Police Department	Industrial Disability Retirement Granted
Hom Guen Tham (Helen) Effective Date: 03/03/05	1426 Sr. Clerk Typist Medical Examiner's Department	Ordinary Disability Retirement Granted
William G. Wesch Effective Date: 07/02/04	H-2 Firefighter Fire Department	Industrial Disability Retirement/Stip Granted
Wan K. Wong Effective Date: 06/07/03	2630 L Cafeteria Cook SFUSD	Ordinary Disability Retirement Denied

13c. **Dismissal of Ordinary and Industrial Disability Applications**

Michael J. Shea	Industrial Disability Retirement
Anthony Stevenson	Ordinary Disability Retirement

13d. **Petition for Rehearing**

James S. Beem Effective: 1/8/05	H-3 Paramedic Fire Dept.	Industrial Disability Retirement Denied

13e. **Approval of Request for Travel for Brenda Wright, Commissioner, to travel to Key West, FL on April 3-5, 2005 for the 4TH Annual Stars & Stripes Conference.**

Action: It was moved by Commissioner Ellington, seconded by Commissioner Casciato to approve the Consent Calendar.

Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval, Wright
Noes:
Absent:

14. **City Attorney's Report**

Dan Maguire, Deputy City Attorney, presented a written and oral report on this item.

The City Attorney's Office recommends that SFERS authorize Grant & Eisenhofer, outside counsel, to represent the City's interests in the matter of the Safety-Kleen litigation. Grant & Eisenhofer had served as class counsel prior to the judicial determination that removed SFERS claims from the primary litigation.

This was an information only item.

15. **Executive Director's Report**

Clare Murphy, Executive Director, reported that there has been significant progress made in the last month in posting payroll reports from the San Francisco Unified School District.

Ms. Murphy and other staff recently met with representatives from the retiree associations to discuss scheduled Cost of Living Adjustments (COLAs) and other issues. For impacted retirees, COLAs will be paid on February 28, 2005.

Staff continues to track the proposed State Constitutional Amendment (Richman), which will soon be scheduled for legislative hearings.

Ms. Murphy reported that Supervisor Sandoval had been reappointed by the President of the Board of Supervisors to serve on the Retirement Board, and Commissioner Casciato was recently elected to a new term on the Retirement Board.

The San Francisco Employees' Retirement System has been nominated by the Money Management newsletter and Institutional Investment magazine for an award as the "saviest plan of the year."

INVESTMENT CALENDAR

16. Report on Proxy Voting for 2004

David Kushner, Deputy Director for Investments, Carl Wilber, Senior Investment Officer, Mark Coleman, Security Analyst, and Fassil Michael, representing Institutional Shareholder Services, presented a written and oral report on this item.

The Board engaged in a question and answer session with Staff and Consultants.

This was an information only item.

17. Approval of Recommendation for Proxy Voting Guidelines for 2005

David Kushner, Deputy Director for Investments, Carl Wilber, Senior Investment Officer, Mark Coleman, Security Analyst, and Fassil Michael, representing Institutional Shareholder Services, presented a written and oral report on this item.

The Board engaged in a question and answer session with Staff and Consultants.

Action: Adopt Staff recommendation for new proposed policies and recommended modifications to existing guidelines.
Passed: By ballot vote, 5-0 (Kim and Sandoval absent)

18. Approval of Recommendations to Invest Up To $20 Million in Oak Hill Capital Partners II, LP

David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, and Ken Wisdom, representing Portfolio Advisors, presented a written and oral report on this item.

The Board engaged in a question and answer session with Staff and Consultants.

Commissioner Meiberger indicated that he would not be voting in support of the recommendation, as he had not had the opportunity to meet with the principals of the limited partnership.

Action: It was moved by Commissioner Kim, seconded by Commissioner Ellington to approve the recommendation to invest up to $20 million in Oak Hill Capital Partners II.
Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Kim, Wright
Noes: Meiberger
Absent: Sandoval

19. Approval of Revision to investment Guidelines for Fischer Francis Trees & Watts, Inc, Global Core Plus Fixed Income – Hedged

David Kushner, Deputy Director for Investments, and Richard Piket, Senior Investment Officer, presented a written and oral report on this item.

The Board engaged in a question and answer session with Staff.

Action: It was moved by Commissioner Ellington, seconded by Commissioner Meiberger to approve the recommended revision to the investment Guidelines for Fisher Francis Trees & Watts.
Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Meiberger, Wright
Noes:
Absent: Kim and Sandoval

20. Approval of Revision to Investment Guidelines for Western Asset Management Company Core Plus Fixed Income

David Kushner, Deputy Director for Investments, and Richard Piket, Senior Investment Officer, presented a written and oral report on this item.

The Board engaged in a question and answer session with Staff.

Action: It was moved by Commissioner Ellington, seconded by Commissioner Meiberger to approve the recommended revision to the investment Guidelines for Western Asset Management Company Core Plus.
Approved by the following vote:
Ayes: Casciato, Driscoll, Ellington, Meiberger, Wright
Noes:
Absent: Kim and Sandoval

21. Deputy Director for Investment's Report

David Kushner, Deputy Director for Investments, reported that:

As of January 31, 2005, the fund was valued at approximately $12.6 billion dollars. He provided the Board with reports detailing movement of funds between sub-asset classes for the month ended January 31, 2005, as well as current asset and sub-asset class allocation information.

The Deputy Director for Investments reported that the Fund continues to be underweight the approved Asset Allocation range in Real Estate, where Staff continues to search for attractive investment opportunities. Additionally, he noted that as of January 31, the Fund was out of compliance with approved ranges (too high) for Emerging Markets Debt. Also, exposure to Large Cap Growth Equities is too low, and is expected to be corrected when the recently approved managers for this sub-asset class are funded.

He informed the Board that based on feedback from both managers and brokers in attendance the Opportunity Forum held in conjunction with Northern Trust on January 26 was a resounding success.

The Summerwind secondary transaction approved by the Board in December, with an initial capital call of $40 million, has already returned in excess of $10 million to the Fund.

Finally, the Deputy Director for Investments informed the Board of an effort by the Institute for International Finance to promote standards for corporate governance in emerging markets. These standards were received too late for the proxy policies voted on by the Board at today's meeting, but will be evaluated in the context of SFERS proxy voting guidelines to ascertain if there are additional areas which should be addressed.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

22. **Deferred Compensation Plan Manager Report**

Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

The Board engaged in a question and answer session on this item.

This was an informational only item.

RETIREMENT BOARD MEMBER'S REPORT

23. **Board Member's Report**

Commissioner Sandoval reported back on his attendance at the February 3-5, 2005 RREEF Conference. Commissioner Casciato reported that he was unable to attend as planned due a death in his family.

Commissioner Ellington and Commissioner Meiberger reported back on their attendance at the February 2-4, 2005 Pacific Pension Institute.

Commissioner Wright reported back on her on attendance at the November 20-23, 2004 Progress Investment Plan Sponsor Conference.

Commissioner Kim reported on his attendance at the Trustees' Roundtable.

This was an informational only item.

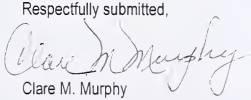
24. **FYI** – "The Basics of Social Security" – Wall Street Journal - Article submitted by David Kushner, Deputy Director for Investments

This was an informational only item.

25. **Adjournment:**

There being no further business, the Board adjourned its meeting at 1:35 PM.

Respectfully submitted,



Clare M. Murphy
Executive Director

Please Note: The minutes of this meeting set forth actions taken by the Retirement Board on the matters stated but not necessarily in the chronological sequence in which the matters were considered.

RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

DOCUMENTS DEPT.
APR 15 2005
SAN FRANCISCO
PUBLIC LIBRARY

TUESDAY, MARCH 8, 2005

Meeting called to order at 8:50 AM

San Francisco City and County Employees' Retirement System is dedicated to securing, protecting and prudently investing the pension trust assets, administering mandated benefit programs, and providing promised benefits.

Roll Call:

Retirement Board

Present:
Joseph Driscoll, President
Al Casciato, Commissioner
Michael Kim, Commissioner
Herb Meiberger, Commissioner
Gerardo Sandoval, Supervisor
Brenda Wright, Vice President

Absent:
E. David Ellington, Commissioner

Retirement System:
Present:
Clare M. Murphy, Executive Director of the Retirement System

Public Comment
Members of the public shall have an opportunity to directly address the Retirement Board on items of interest to the public that are within the subject matter jurisdiction of the Retirement Board, including items being considered today. Members of the public may address the Retirement Board now or at the time an item on today's agenda is being considered. Members of the public may address the Retirement Board for up to five minutes. The President of the Retirement Board may limit the total testimony to 30 minutes.

President Driscoll reviewed the Public Comment procedures for the attendees.

Winchell Hayward, immediate past President, Retired Employees of San Francisco addressed the issue of filling the position of Actuary and urged the Board to fill the position.

1. Minutes of the February 8, 2005 Board Meeting
Moved by Commissioner Meiberger, seconded by Commissioner Wright to approve the Minutes (as amended) by the following vote:

Ayes: Driscoll, Kim, Meiberger, Wright
Absent: Casciato, Ellington, Sandoval

2. **Old and Ongoing Business List**
There were no changes to the list.

3. **Approve Recommendation of Annual Basic Cost of Living Adjustment (COLA)**
Clare Murphy, Acting Actuary, presented a written and oral report on this item.

The Board engaged in a question and answer session with staff.

Moved by Commissioner Meiberger, seconded by Commissioner Wright to approve Annual Basic Cost of Living Adjustment.
Ayes: Driscoll, Kim, Meiberger, Sandoval, Wright
Absent: Casciato, Ellington

4. **Review of Statement of Economic Interest Form 700 for the Year 2004**
David Benjamin, Deputy City Attorney, presented a written and oral report on this item.

The Board engaged in a question and answer session with staff and the City Attorney.

This was an information only item.

5. **Alternative Investment Committee Report of February 15, 2005**
Commissioner Driscoll presented a written and oral report on this item.

This was an information only item.

6. **Governance Committee Report of February 15, 2005**
Commissioner Wright presented a written and oral report on this item.

The Board engaged in a question and answer session with staff.

Commissioner Meiberger discussed the Board survey and recommended a Board retreat to address concerns raised in the survey responses.

This was an information only item.

Commissioner Kim left at 9:25 AM

7. **Matter of David Southern, SFPD, Application for Industrial Disability Retirement**
a. City Attorney Request for Reconsideration

David Benjamin, Deputy City Attorney, presented a written and oral report on this item. He reported that this item had been placed on the February 8, 2005 Board agenda in error.

Chris Dehner, attorney for Mr. Southern, addressed the Board on this issue. He noted that the item had been previously heard by the Board at the February 8, 2005 meeting and that the item is therefore moot.

The Board engaged in a question and answer session with staff and the City Attorney.

Mr. Benjamin noted that Board rules allow the Board to reconsider its prior action.

Moved by Commissioner Meiberger, seconded by Commissioner Driscoll, to reconsider the Board's prior action accepting the decision in this case.
Ayes: Driscoll, Kim, Meiberger, Sandoval, Wright
Noes: Casciato
Absent: Ellington

b. Petition for Rehearing
David Benjamin, Deputy City Attorney, presented a written and oral report on this item. He informed the Board that it was the staff's position that applicant's left knee condition is non-industrial, and that the administrative law judge did not expressly address the issue in his decision. He informed the Board that the City Attorney's office had filed a petition for rehearing to protect the Retirement System's time limits. He recommended that the Board petition for rehearing.

Chris Dehner, attorney for Mr. Southern, addressed the Board on this issue. He noted that the item had been previously heard by the Board at the February 8, 2005 meeting. He also addressed the merits of the petition for rehearing.

The Board engaged in a question and answer session with staff and the City Attorney.

Moved by Commissioner Meiberger, seconded by Commissioner Driscoll, to petition for rehearing
Ayes: Driscoll, Kim, Meiberger, Sandoval, Wright
Noes: Casciato
Absent: Ellington

8. **Jerry Sullivan, PERS Disability Retirement, Petition for Rehearing**
David Benjamin, Deputy City Attorney, presented a written and oral report on this item. He noted that this is a PERS case and that the Board is the decision-maker in this matter. He informed the Board that he believed the administrative law judge had decided the case correctly, and he recommended that the Retirement Board deny the petition for rehearing.

Chris Dehner, attorney for Mr. Sullivan, addressed the Board on this issue. He asked the Board to grant Mr. Sullivan's petition for rehearing.

The Board engaged in a question and answer session with staff and the City Attorney.

Moved by Supervisor Sandoval, seconded by Commissioner Meiberger, to grant the petition for rehearing.
Ayes: Casciato, Driscoll, Kim, Meiberger, Sandoval, Wright.
Absent: Ellington

9. **Adjustment of Retirement Allowance – Lynn Benson-Colbert (Requires Ballot Vote)**
Action: Approved by Ballot vote, 5 - 0. (Kim absent)

10. **CONSENT CALENDAR**
All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

10a. Voluntary Retirement Board List No. 9-04

10b. Decision of Hearing Officers

Thomas Alger Effective: 5/13/04	H-20 Lieutenant Fire Dept.	Industrial Disability Retirement/Stip Granted
Gerry P. Calgaro Effective: 1/8/04	Q-4 Police Officer III Police Dept.	Industrial Disability Retirement/Stip Granted
Margaret Casey Effective: 8/1/04	8482 Crime Prevention Worker Police Dept.	Ordinary Disability Retirement/Vesting
Maxuman L. Chenier Effective: 7/1/04	7311 Cement Mason Dept. of Public Works	Ordinary Disability Retirement Granted
Thomas J. Cooney Effective: 2/15/04	H-20 Lieutenant Fire Dept.	Industrial Disability Retirement/Stip Denied
Richard Emert Effective: 12/01/03	8306 Deputy Sheriff Sheriff Dept.	PERS/IDR Granted
Ronald R. Garcia Effective: 7/5/03	8306 Senior Deputy Sheriff Sheriff Dept.	PERS Granted
Maureen Hogan Effective: 4/2/03	1450 Executive Secretary I Dept. of Human Services	Ordinary Disability Retirement/Stip Granted
James M. Keck Effective: 6/30/03	H-3 Paramedic/Firefighter Fire Dept.	Industrial Disability Retirement/Stip Denied
Henry Kennedy Effective: 7/10/04	2430 Medical Evaluations Assistant Dept. of Public Health/SFGH	Ordinary Disability Retirement Granted
Francisco Osife Effective: 7/1/04	1424 Clerk Typist Police Dept.	Ordinary Disability Retirement Granted
Richard A. Passanisi Effective: 6/6/04	H-2 Firefighter Fire Dept.	Industrial Disability Retirement/Stip Denied
Scott Richard Effective: 12/8/03	H-3 Paramedic/Firefighter Fire Dept.	Industrial Disability Retirement/Stip Granted
Allen S. Siegel Effective Date: 01/02/03	Q-52 Sergeant III Police Dept.	Industrial Disability Retirement/Vest Granted
Larry E. Sinigiani Effective: 6/29/04	H-20 Lieutenant Fire Dept.	Industrial Disability Retirement/Stip Denied
Lorrie B. Slonsky Effective: 11/4/04	H-1 Fire Rescue Paramedic Fire Dept.	Industrial Disability Retirement Granted

Michael Toropovsky Effective: 2/1/05	Q-52 Sergeant III Police Dept.	Industrial Disability Retirement Granted
Philip Tummarello Effective: 12/4/04	Q-52 Sergeant III Police Dept.	Industrial Disability Retirement/Stip Granted
David W. Turner Effective: 11/1/02	1920 Inventory Clerk Dept. of Human Services	Ordinary Disability Retirement Granted
Remedios V. Viernes Effective: 8/1/03	1424 Clerk Typist Muni	Ordinary Disability Retirement/Vesting Granted

10c. Petition for Rehearing

Timothy P. Heffernan Effective: 7/9/03	H-20 Lieutenant Fire Dept.	Industrial Disability Retirement Denied

10d. Dismissal of Industrial Disability Retirement Application

Joseph J. DeRenzi	Industrial Disability Retirement

10e. Approval of Request for Travel for Commissioner Al Casciato to attend the Stars & Stripes Conference to be held on April 3-5, 2005 in Key West, FL

10f. Approval of Request for Travel for Commissioner E. David Ellington to attend the World Pension Forum, to be held in Prague and St. Petersburg on May 21-28, 2005.

10g. Request Permission to Destroy Payroll Records – City Attorney's Office

Commissioner Meiberger requested that item 10(f), travel to the World Pension Forum, be removed from the consent calendar.

Supervisor Sandoval noted that some other Boards and Commissions have the practice of recognizing long term employees for service upon their retirement. Ms. Murphy noted that a congratulatory letter is sent to each retiree.

Commissioner Meiberger discussed his concerns regarding the proposed travel to the World Pension Forum, as the Fund has limited investments in Russia.

The Staff and Board engaged in a question and answer session on this item. Ms. Murphy reviewed the Board's travel policy, and in response to a question from Commissioner Casciato noted that the travel request was consistent with the travel policy. Ms. Murphy further noted that the Commissioner requesting the travel was not present at the meeting and that this item could be put over until the April meeting.

Lois Black, member, expressed her concerns regarding the frequency and expense for travel by Commissioner Ellington.

Jean Thomas, retiree, addressed the Board's travel policy and noted that Commissioner Ellington had engaged in past international travel. She further addressed the quality of the reporting back by Board members.

Moved by Commissioner Casciato, seconded by Supervisor Sandoval to approve the Consent Calendar
Ayes: Casciato, Driscoll, Meiberger, Sandoval, Wright
Absent: Ellington, Kim

Moved by Commissioner Wright, seconded by Commissioner Sandoval to approve item 10(f), the requested travel to the World Pension Fund.
Ayes: Casciato, Driscoll, Kim, Sandoval, Wright
Noes: Meiberger
Absent: Ellington

Commissioner Kim returned at 9:50 AM

11. **City Attorney's Report - Update on Recent Court Decisions**
Dan Maguire, Deputy City Attorney, reported on a recent court of appeals decision, Bolino v. Kern County. The City Attorney's Office is reviewing the matter.

The Board engaged in a question and answer session on this item.

This was an information only item.

Commissioner Sandoval left at 11:10

12. **Executive Director's Report**
Clare Murphy, Executive Director, presented a written and oral report.

Ms. Murphy reported that the Unified School District is current in its payroll posting, although a number of errors remain in the postings.

In regard to Charter Amendments, there are currently no proposals that would impact the System.

Labor negotiations are just beginning; staff will continue to monitor the negotiations.

In regard to the proposed State Constitutional Amendment, the proposed amendment has been retitled, summarized and approved for circulation by the Attorney General's Office. The official title is "Prohibition on Defined Benefit Public Pensions". In addition, related legislation has been introduced to the legislature for both the general and special sessions. Legislative hearings have been scheduled for later in March. Staff will continue to monitor this item.

The City's lobbyists have raised the issue of the impact on the proposed legislation and Constitutional Amendment on home-rule with the Governor's Office.

Faye Roe, Local 790 SEIU, spoke in opposition to the proposed Constitutional Amendment. Ms. Roe also discussed staffing changes in the proposed FY 2005-06 SFERS budget.

The Educational Opportunities List was distributed in writing.

This was an information only item.

INVESTMENT CALENDAR

13. **Report on the Performance of the Retirement Fund for the Quarter Ending 12/31/04**
David Kushner, Deputy Director for Investments, and Anna Georges, representing Angeles Investment Advisors, presented a written and oral report on this item.

The Board engaged in a question and answer session with staff and consultant.

This was an information only item.

14. **Report on Manager Monitoring List – Activities**
David Kushner, Deputy Director for Investments, and Anna Georges, representing Angeles Investment Advisors, presented a written and oral report on this item.

The Board engaged in a question and answer session with staff and consultant.

This was an information only item.

15. **Report on Brokerage Commissions Generated by the Retirement Fund during the Quarter Ended 12/31/04**
David Kushner, Deputy Director for Investments, and Anna Georges, representing Angeles Investment Advisors, presented a written and oral report on this item.

The Board engaged in a question and answer session with staff.

This was an information only item.

16. **Approval of Recommendation for Currency Management Program Investment Guidelines**
David Kushner, Deputy Director for Investments, and Anna Georges, representing Angeles Investment Advisors, presented a written and oral report on this item.

The Board engaged in a question and answer session with staff and consultant.

It was moved by Commissioner Casciato, seconded by Commissioner Wright to approve the recommendation.
Ayes: Casciato, Driscoll, Kim, Wright
Noes: Meiberger
Absent: Ellington, Sandoval

Commissioner Meiberger left at 11:50 AM, returned at 11:55 AM

17. **Approval of Revision to Investment Guidelines for Ashmore Investment Management**
David Kushner, Deputy Director for Investments, and Anna Georges, representing Angeles Investment Advisors, presented a written and oral report on this item.

The Board engaged in a question and answer session with staff.

It was moved by Commissioner Meiberger, seconded by Commissioner Casciato to approve the recommendation.
Ayes: Casciato, Driscoll, Kim, Meiberger, Wright
Absent: Ellington, Sandoval

18. **Approval of Recommendation to Invest up to 20 Million Euros (approximately $25 million) with BC Partners**
David Kushner, Deputy Director for Investments, and Ken Wisdom, representing Portfolio Advisors, presented a written and oral report on this item.

The Board engaged in a question and answer session.

It was moved by Commissioner Kim, seconded by Commissioner Meiberger to approve the recommendation.
Ayes: Casciato, Driscoll, Kim, Meiberger, Wright
Absent: Ellington, Sandoval

19. **Report on Implementation of Secondary Program for Alternative Investments**
Commissioners Driscoll and Meiberger reviewed the discussion of this item at the February 15, 2005 Alternative Investment Committee meeting.

David Kushner, Deputy Director for Investments, and Ken Wisdom, representing Portfolio Advisors, presented a written and oral report on this item.

The Board engaged in a question and answer session with staff.

This was an information only item.

20. **Deputy Director for Investment's Report**
David Kushner, Deputy Director for Investments, presented a written and oral report.

As of February 28, 2005, the Fund was valued at approximately $12.8 billion dollars. Mr. Kushner provided the Board with reports detailing movement of funds between sub-asset classes for the month ended February 28, 2005, as well as current asset and sub-asset class allocation information.

The Fund continues to be underweight the approved Asset Allocation range in Real Estate, where Staff continues to search for attractive investment opportunities. Additionally, as of February 28, the Fund was out of compliance with approved ranges in several equity sub-asset classes due to transitions taking place at the month end.

Mr. Kushner informed the Board of personnel changes at both Dreyfus (small cap core equity) and Oechsle (international equity) resulting in the firms being placed Under Review. Further, the DDI reported that Hyperion has been sold to Brascan. (Please see item 14 for additional information)

He reported that Staff voted the proxy for the acquisition of BankNorth by Toronto Dominion.

Proxy Votes
David Kushner, Deputy Director for Investments, presented a written and oral report on the proposed merger by Harrah's Entertainment to merge with Caesar's Entertainment.

The Board engaged in a question and answer session with staff.

Moved by Commissioner Meiberger, seconded by Commissioner Casciato that the San Francisco Retirement System cast all of its proxy votes in support of the merger between Caesar's Entertainment and Harrah's Entertainment.
Ayes: Casciato, Driscoll, Kim, Meiberger, Wright
Absent: Ellington, Sandoval

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

21. **Review of the "Semi-Annual Investment Performance Analysis" provided by KPMG Investment Advisors**
Carol Cypert, Deferred Compensation Manager, and Bruno Grimaldi, representing KPMG Investment Advisors, presented a written and oral report on this item.

The Board engaged in a question and answer session with staff and consultant.

Ms. Murphy and members of the Board expressed their appreciation to Mr. Grimaldi for KPMG's efforts on behalf of the System.

This was an information only item.

Commissioner Wright left at 12:50

22. **Review of the "2004 Annual Plan Review" Provided by ING Life Insurance and Annuity Company**
Carol Cypert, Deferred Compensation Manager, and Peter Belardinelli, Regional Manager; Kathy Murphy, Group President, Worksite & Institutional Financial Services; Michael Eldredge, Manager, Fund Analysis; and Frances Steen, Law Department, representing the ING Insurance and Annuity Company, presented a written and oral report on this item.

The Board engaged in a question and answer session with staff and consultant.

This was an information only item.

Commissioner Kim left at 1:10 PM.

23. **Deferred Compensation Manager Report**
Carol Cypert, Deferred Compensation Manager, presented a written and oral report on this item.

The Board engaged in a question and answer session with staff and consultant.

This was an information only item.

RETIREMENT BOARD MEMBER'S REPORT

24. **Board Member's Report**
Commissioners Meiberger and Sandoval reported on their attendance at the CALAPERS General Assembly, February 27 - March 1, 2005.

Commissioner Kim reported on his attendance at the World Pension Forum, February 13 – 16, 2005.

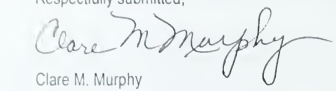
Commissioner Casciato distributed a recent article regarding the proposed State constitutional amendment, and also discussed a member issue involving an employee who has been called to active

duty in the military. Ms. Murphy noted that employees called to active duty are placed on a military leave, and that there are existing legal protections for their pension credits during this period. Ms. Murphy further reviewed existing policies involving those active employees who are called to active military service.

25. FYI
This was an information only item.

26. Adjournment
There being no further business, the Board adjourned its meeting at 1:45 PM.

Respectfully submitted,



Clare M. Murphy
Executive Director

Please Note: The minutes of this meeting set forth actions taken by the Retirement Board on the matters stated but not necessarily in the chronological sequence in which the matters were considered.

MINUTES

RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
TUESDAY, APRIL 12, 2005
8:30 am

DOCUMENTS DEPT.
MAY 16 2005
SAN FRANCISCO
PUBLIC LIBRARY

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is Dedicated to Securing, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

RETIREMENT BOARD MEMBERS

Commissioner Joe Driscoll **President**

Commissioner Brenda Wright **Vice President**

Commissioner Al Casciato

Commissioner E. David Ellington

Commissioner Michael Kim

Commissioner Herb Meiberger

Commissioner Gerardo Sandoval

Clare M. Murphy **Executive Director**

Roll Call:

Retirement Board

Present:	Joseph Driscoll, President	8:30
	Al Casciato, Commissioner	8:30
	E. David Ellington, Commissioner	8:30
	Michael Kim, Commissioner	8:30
	Herb Meiberger, Commissioner	8:30
	Gerardo Sandoval, Supervisor	8:52
	Brenda Wright, Vice President	8:30

Pledge of Allegiance

Public Comment

Members of the public shall have an opportunity to directly address the Retirement Board on items of interest to the public that are within the subject matter jurisdiction of the Retirement Board, including items being considered today. Members of the public may address the Retirement Board now or at the time an item on today's agenda is being considered. Members of the public may address the Retirement Board for up to five minutes. The President of the Retirement Board may limit the total testimony to 30 minutes.

President Driscoll reviewed the Public Comment procedures for the attendees.

There was no Public Comment.

REGULAR CALENDAR

1. Minutes of the March 8, 2005 Board Meeting
Moved by Commissioner Casciato, seconded by Commissioner Wright to approve the Minutes.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Wright
Absent: Sandoval

INVESTMENT CALENDAR

2. Approval of Recommendation to Commit up to $15 Million to Bay Partners XI, LP

Commissioner Ellington and Commissioner Kim requested to be recused due to potential conflicts.

Moved by Casciato, Seconded by Meiberger to recuse Commissioner Ellington.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Wright
Absent: Sandoval

Moved by Casciato, Seconded by Meiberger to recuse Commissioner Kim.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Wright
Absent: Sandoval

Commissioner Ellington left the meeting at 8:35AM.

Commissioner Kim left the meeting at 8:35AM.

David Kushner, Deputy Director for Investments; Glen Schwartz, Senior Investment Officer; Ken Wisdom and Brian Murphy, representing Portfolio Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session with staff and consultant.

Commissioner Meiberger expressed concern that he had not had an opportunity to meet with the general partners, and therefore would vote against the recommendation.

Sandoval present at 8:52AM

Moved by Casciato, Seconded by Wright to approve the recommendation to commit up to $15 Million to Bay Partners XI, L.P.
Ayes: Casciato, Driscoll, Sandoval, Wright
Noes: Meiberger
Not Voting: Ellington, Kim

Ellington and Kim returned to the meeting at 9:30AM.

3. **Approval of Recommendation to Amend Investment Guidelines for Causeway Capital Management - International Value Equity**

David Kushner, Deputy Director for Investments, and Leslie Kautz, representing Angeles Investment Advisors presented an oral and written report on this item.

The Board engaged in a question and answer session with staff and consultant.

Moved by Meiberger, Seconded by Casciato to approve the recommendation to amend the Investment Guidelines for Causeway Capital Management – International Value Equity.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval, Wright

4. **Educational Session on Asset Liability Modeling**
David Kushner, Deputy Director for Investments, and Leslie Kautz, representing Angeles Investment Advisors presented an oral and written report on this item.

The Board engaged in a question and answer session with staff and consultant.

This was an information only item.

5. **Approval of Recommendation to Terminate Transamerica Investment Management**
David Kushner, Deputy Director for Investments, and Leslie Kautz, representing Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session with staff and consultant.

Commissioner Meiberger left at 10:15 AM.

Moved by Ellington, Seconded by Casciato to approve the recommendation to terminate Transamerica Management.
Ayes: Casciato, Driscoll, Ellington, Kim, Sandoval, Wright
Absent: Meiberger

6. Approval of Recommendation to Retain Wellington Asset Management for Large Cap Growth Equities

David Kushner Deputy Director for Investments, and Leslie Kautz, representing Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session with staff and consultant.

Commissioner Meiberger returned at 10:20AM

Moved by Meiberger, Seconded by Sandoval to approve the recommendation to retain Wellington Asset Management for Large Cap Growth Equities.
Ayes Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval, Wright

7. Approval of Recommendation for Investment Guidelines for Wellington Management Large Cap Growth Investment Management Services

David Kushner, Deputy Director for Investments, and Leslie Kautz, representing Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session with staff and consultant.

Moved by Ellington, Seconded by Sandoval to approve the recommendation for Investment Guidelines for Wellington Asset Management Large Cap Growth Investment Management Services.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval, Wright

8. Approval of Addendum to Proxy Voting Guidelines - Majority vs. Plurality Voting

David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

The Board engaged in a question and answer session with staff.

Approved by ballot vote, 7-0

9. Deputy Director for Investments Report

David Kushner, Deputy Director for Investments, presented an oral and written report on this item. As of March 31, 2005, the Fund was valued at approximately $12.7 billion dollars.

Mr. Kushner provided the Board with reports detailing movement of funds between sub-asset classes for the month ended March 31, 2005, as well as current asset and sub-asset class allocation information.

Mr. Kushner reported that the Fund continues to be underweight the approved Asset Allocation range in Real Estate, where Staff continues to search for attractive investment opportunities. Additionally, he noted that as of March 31, the Fund was out of compliance with approved ranges in the equity sub-asset class Large Cap Growth due to transitions taking place at the month end.

Moved by Ellington, seconded by Casciato to approve staff recommendation that the San Francisco Retirement system cast all of its proxy votes in support of the company name change from The Hershey Foods Company to The Hershey Company.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval, Wright

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

10. **Finalist Selection for Investment Consultant for the 457(b) Deferred Compensation Plan**
Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

Board engaged in a question and answer session with staff.

Moved by Meiberger, Seconded by Ellington to accept staff recommendation of Angeles Investment Advisors as the investment consultant for the 457(b) deferred compensation plan.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval, Wright

11. **Deferred Compensation Manager Report**
Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

Board engaged in a question and answer session with staff.

This was an information only item.

REGULAR CALENDAR

12. **CONSENT CALENDAR**
All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

12a. Voluntary Retirement Board List No. 10-04

12b. Decision of Hearing Officers

John Allen Effective: 8/1/04	2760 Laundry Worker DPH	Ordinary Disability Retirement/Vest. Granted
Willie Mae Davis Effective: 10/1/03	7340 Maintenance Controller MUNI	Ordinary Disability Retirement/Vest. Granted
Sharon Gallagher (Deceased William P. Gallagher) Effective: 10/4/04	7366 Computer Technician DTIS	Ordinary Disability Retirement Granted
Lorraine Grassano Effective: 7/1/04	8208 Park Patrol Officer Rec. & Park	Ordinary Disability Retirement/Vest. Granted
Roxie E. Harris Effective: 10/01/04	9163 Transit Operator MUNI	Ordinary Disability Retirement/Vest. Granted
Richard Huddleston Effective: 3/13/04	Q-4 Police Officer III Police	Industrial Disability Retirement/Stip Granted

Carmi Johnson Effective: 12/1/03	7372 Stationary Engineer Clean Water Program	Ordinary Disability Retirement Granted
Robert Johnson Effective: 1/1/05	9163 Transit Operator MUNI	Ordinary Disability Retirement Granted
Dennis L. Kruger Effective: 7/10/04	H-2 Firefighter Fire	Industrial Disability Retirement/Stip Granted
Elisa M. Lee Effective: 6/1/04	1450 Executive Secretary 1 PUC	Ordinary Disability Retirement/Stip Granted
Fred R. Mizzi Effective: 5/1/01	9163 Transit Operator MUNI	Ordinary Disability Retirement Denied
Beverly Renick Effective: 7/1/03	2328 Nurse Practitioner DPH	Ordinary Disability Retirement/Vest. Granted
Kathleen Rigsby Effective: 4/1/04	8158 Child Support Officer II Child Support Services	Ordinary Disability Retirement/Vest. Granted
James E. Robb Effective: 3/1/04	3417 Gardner Rec. & Park	Ordinary Disability Retirement Granted
John Sudano Effective: 2/1/03	H-32 Fire Prevention Captain Fire Dept.	Industrial Disability Retirement/Stip Granted
William C. Vince Effective: 7/26/03	0382 Inspector III Police Dept.	Industrial Disability Retirement/ Stip Granted
Lynne G. Williams Effective: 6/1/04	7372 Stationary Engineer PUC-Clean Water	Ordinary Disability Retirement Granted
Henry Hathaway Effective: 10/01/04	7514 General Laborer Public Utilities Commission	Ordinary Disability Retirement Granted

12c. **Petition for Rehearing**

Kenneth C. Cantamout Effective: 4/1/03	Q-4 Police Officer III Police Dept.	Industrial Disability Retirement/Stip Denied
Thomas J. Cooney Effective: 2/15/04	H-20 Lieutenant Fire	Industrial Disability Retirement/Stip Denied
William F. Serafini Effective: 1/6/03	H-40 Battalion Chief Fire Dept.	Industrial Disability Retirement/Stip Denied
Larry E. Sinigiani Effective: 6/29/04	H-20 Lieutenant Fire	Industrial Disability Retirement/Stip Denied

12d. **Amended Decision**

Scott Roberts Effective: 2/19/03	H-1 Paramedic Fire	Industrial Disability Retirement Granted

Original hearing Officer Decision was considered and approved by the Retirement Board on August 12, 2003 (neck). Amended award includes neck and back (lumbar spine).

12e. **Dismissal of Industrial Disability Retirement Application**

Anthony Hampton	Industrial Disability Retirement
Maria T. Pineda	Ordinary Disability Retirement
Sheila Robbins	Ordinary Disability Retirement
Deborah L. Rossback	Ordinary Disability Retirement

12f. **Approval of Request for Travel for Herb Meiberger, Commissioner, to travel to Chicago, IL on May 17-20, 2005 for the Emerging Managers Summit.**

12g. **Approval of Request for Travel for Joseph Driscoll, Commissioner, to travel to Las Vegas, NV on September 25-28, 2005 for the Guns & Hoses 2005.**

12h. **Approval of Request for Travel for Al Casciato & Gerardo Sandoval, Commissioners, to travel to New York, NY on October 26-28, 2005 for the New America Alliance 5th Annual Wall Street Summit.**

Moved by Ellington, seconded by Casciato to approve the consent calendar as amended.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval, Wright

13. **Adjustment of Retirement Allowance – Scott Richard**
Approved by ballot vote, 7-0, to adjust the industrial disability retirement allowance to the Charter authorized amount of 55.5 percent.

14. **Review and Approval of Request for Firm Qualifications (RFQ) for Securities Litigation and Class Action Counsel.**
Clare Murphy, Executive Director, and Dan Maguire, Deputy City Attorney, presented an oral and written report on this item.

The Board engaged in a question and answer session on this item.

Moved by Ellington, seconded by Casciato to approve the Request for Firm Qualifications (RFQ) for Securities Litigation and Class Action Counsel.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval, Wright

15. **Old and Ongoing Business List**
Clare Murphy, Executive Director, presented an oral and written report on this item.

The Board engaged in a question and answer session on this item.

This was an information only item.

16. **Semi Annual Report on Concepts and Status of the Automated Retirement System**
Ron Puff, Information Systems and Technology Manager presented an oral and written report on this item.

The Board engaged in a question and answer session with staff on this item.

Commissioner Casciato and Commissioner Sandoval left the meeting at 11:10AM.

Commissioner Casciato returned at 11:12AM

Carmi Johnson Effective: 12/1/03	7372 Stationary Engineer Clean Water Program	Ordinary Disability Retirement Granted
Robert Johnson Effective: 1/1/05	9163 Transit Operator MUNI	Ordinary Disability Retirement Granted
Dennis L. Kruger Effective: 7/10/04	H-2 Firefighter Fire	Industrial Disability Retirement/Stip Granted
Elisa M. Lee Effective: 6/1/04	1450 Executive Secretary 1 PUC	Ordinary Disability Retirement/Stip Granted
Fred R. Mizzi Effective: 5/1/01	9163 Transit Operator MUNI	Ordinary Disability Retirement Denied
Beverly Renick Effective: 7/1/03	2328 Nurse Practitioner DPH	Ordinary Disability Retirement/Vest. Granted
Kathleen Rigsby Effective: 4/1/04	8158 Child Support Officer II Child Support Services	Ordinary Disability Retirement/Vest. Granted
James E. Robb Effective: 3/1/04	3417 Gardner Rec. & Park	Ordinary Disability Retirement Granted
John Sudano Effective: 2/1/03	H-32 Fire Prevention Captain Fire Dept.	Industrial Disability Retirement/Stip Granted
William C. Vince Effective: 7/26/03	0382 Inspector III Police Dept.	Industrial Disability Retirement/ Stip Granted
Lynne G. Williams Effective: 6/1/04	7372 Stationary Engineer PUC-Clean Water	Ordinary Disability Retirement Granted
Henry Hathaway Effective: 10/01/04	7514 General Laborer Public Utilities Commission	Ordinary Disability Retirement Granted

12c. Petition for Rehearing

Kenneth C. Cantamout Effective: 4/1/03	Q-4 Police Officer III Police Dept.	Industrial Disability Retirement/Stip Denied
Thomas J. Cooney Effective: 2/15/04	H-20 Lieutenant Fire	Industrial Disability Retirement/Stip Denied
William F. Serafini Effective: 1/6/03	H-40 Battalion Chief Fire Dept.	Industrial Disability Retirement/Stip Denied
Larry E. Sinigiani Effective: 6/29/04	H-20 Lieutenant Fire	Industrial Disability Retirement/Stip Denied

12d. Amended Decision

Scott Roberts Effective: 2/19/03	H-1 Paramedic Fire	Industrial Disability Retirement Granted

Original hearing Officer Decision was considered and approved by the Retirement Board on August 12, 2003 (neck). Amended award includes neck and back (lumbar spine).

12e. **Dismissal of Industrial Disability Retirement Application**

Anthony Hampton	Industrial Disability Retirement
Maria T. Pineda	Ordinary Disability Retirement
Sheila Robbins	Ordinary Disability Retirement
Deborah L. Rossback	Ordinary Disability Retirement

12f. **Approval of Request for Travel for Herb Meiberger, Commissioner, to travel to Chicago, IL on May 17-20, 2005 for the Emerging Managers Summit.**

12g. **Approval of Request for Travel for Joseph Driscoll, Commissioner, to travel to Las Vegas, NV on September 25-28, 2005 for the Guns & Hoses 2005.**

12h. **Approval of Request for Travel for Al Casciato & Gerardo Sandoval, Commissioners, to travel to New York, NY on October 26-28, 2005 for the New America Alliance 5th Annual Wall Street Summit.**

Moved by Ellington, seconded by Casciato to approve the consent calendar as amended.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval, Wright

13. **Adjustment of Retirement Allowance – Scott Richard**
Approved by ballot vote, 7-0, to adjust the industrial disability retirement allowance to the Charter authorized amount of 55.5 percent.

14. **Review and Approval of Request for Firm Qualifications (RFQ) for Securities Litigation and Class Action Counsel.**
Clare Murphy, Executive Director, and Dan Maguire, Deputy City Attorney, presented an oral and written report on this item.

The Board engaged in a question and answer session on this item.

Moved by Ellington, seconded by Casciato to approve the Request for Firm Qualifications (RFQ) for Securities Litigation and Class Action Counsel.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval, Wright

15. **Old and Ongoing Business List**
Clare Murphy, Executive Director, presented an oral and written report on this item.

The Board engaged in a question and answer session on this item.

This was an information only item.

16. **Semi Annual Report on Concepts and Status of the Automated Retirement System**
Ron Puff, Information Systems and Technology Manager presented an oral and written report on this item.

The Board engaged in a question and answer session with staff on this item.

Commissioner Casciato and Commissioner Sandoval left the meeting at 11:10AM.

Commissioner Casciato returned at 11:12AM

Commissioner Sandoval returned at 11:14AM

This was an information only item.

17. Proposition F Early Retirement Costs for Retirements Effective through January 31, 2005
Clare Murphy, Executive Director, presented an oral and written report on this item.

The Board engaged in a question and answer session with staff on this item.

This was an information only item.

18. Executive Director's Report
Clare Murphy, Executive Director, presented an oral and written report on this item.

The San Francisco Unified School District is current in their payroll reporting, although they have indicated that they intend to replace their payroll system in the future.

The City has begun labor negotiations with 10-12 labor organizations.

The Governor has announced that he will be delaying his proposed Constitutional amendment on pension reform while he engages the Legislature in discussion.

There are no Charter amendments impacting retirement benefits introduced to date.

The actuarial audit has begun.

A new travel request form will be developed with the City Attorney and distributed to the Board in May.

Commissioner Meiberger left at 11:30AM, returned at 11:33AM.

Commissioner Wright and Commissioner Sandoval left at 11:36AM.

Commissioner Kim left the meeting at 11:45AM.

The Board engaged in a question and answer session with staff on this item.

The Educational Opportunities List and Retiree Newsletter were distributed.

This was an information only item.

RETIREMENT BOARD MEMBER'S REPORT

19. Board Member's Report

Commissioner Casciato reported on his attendance at the Public Funds Summit, March 13-16, 2005. SFERS was recognized at the Summit as the "Savviest Pension Plan" and presented an award.

This was an information only item.

CLOSED SESSION

20. Moved by Ellington, Seconded by Meiberger to enter into closed session.
Ayes: Casciato, Driscoll, Ellington, Meiberger
Absent: Kim, Sandoval, Wright

Pursuant to the Ralph M. Brown Act, Government Code Section 54956.9 and the Sunshine Act, San Francisco Administrative Code Section 67.10, the Retirement Board met in closed session.

Kim returned at 11:50AM, Ellington left the meeting at 11:50AM.

CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
Subdivision (a) of Government Code §54956.9; S.F. Administrative Code §67.10(d)

Gail Barrett, SFPD: Application for Industrial Disability Retirement

Safety-Kleen Bondholders Litigation

Moved by Kim, Seconded by Casciato to return to open session and report on closed session.
Ayes: Casciato, Driscoll, Kim, Meiberger
Absent: Ellington, Sandoval, Wright

The City Attorney reported that the Board had instructed the City Attorney to deny the Barrett request to conduct further hearing officer review and to accept the proposed settlement in the Safety-Kleen litigation.

21. **FYI – Submitted by Herb Meiberger – "Grover Norquist, An Agenda for Public Employee Retirement Systems."**

FYI – Article submitted by Clare Murphy – "Unanticipated Pensions Hurt City's Bottom Line."

FYI – Article submitted by David Kushner – "Savviest Plan of the Year"

22. **Adjournment**
There being no further business, the Board adjourned its meeting at 12:10PM.

Respectfully submitted,

Clare M. Murphy
Executive Director

Please Note: The minutes of this meeting set forth actions taken by the Retirement Board on the matters stated but not necessarily in the chronological sequence in which the matters were considered.

MINUTES

RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO

30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
TUESDAY, May 10, 2005
8:30 AM

DOCUMENTS DEPT
JUN 17 2005
SAN FRANCISCO
PUBLIC LIBRARY

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is Dedicated to Securing, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

RETIREMENT BOARD MEMBERS

Commissioner Joe Driscoll President

Commissioner Brenda Wright Vice President

Commissioner Al Casciato

Commissioner E. David Ellington

Commissioner Michael Kim

Commissioner Herb Meiberger

Commissioner Gerardo Sandoval

Clare M. Murphy Executive Director

Roll Call:

Retirement Board
Present:

Joseph Driscoll, President	8:30
Al Casciato, Commissioner	8:30
E. David Ellington, Commissioner	Absent
Michael Kim, Commissioner	8:34
Herb Meiberger, Commissioner	8:30
Gerardo Sandoval, Supervisor	8:52
Brenda Wright, Vice President	8:35

Pledge of Allegiance

Public Comment
Members of the public shall have an opportunity to directly address the Retirement Board on items of interest to the public that are within the subject matter jurisdiction of the Retirement Board, including items being considered today. Members of the public may address the Retirement Board now or at the time an item on today's agenda is being considered. Members of the public may address the Retirement Board for up to five minutes. The President of the Retirement Board may limit the total testimony to 30 minutes.

President Driscoll reviewed the Public Comment procedures for the attendees.

There was no Public Comment.

REGULAR CALENDAR

1. **Minutes of the April 12, 2005 Board Meeting**
   Moved by Commissioner Casciato, seconded by Commissioner Meiberger to approve the Minutes (as amended).
   Ayes: Casciato, Driscoll, Kim, Meiberger, Sandoval, Wright
   Absent: Ellington

2. **Old and Ongoing Business List**
   Clare Murphy, Executive Director, presented an oral and written report.

   The Board engaged in a question and answer session on this item.

   This was an information only item.

3. **Retirement System Travel Expense Report for the Period Ending March 31, 2005**
   Norm Nickens, Executive Assistant, presented an oral and written report.

   The Board engaged in a question and answer session on this item.

   Commissioner Meiberger requested a copy of the expense report for Commissioner Ellington's travel to the Pacific Pension Institute.

   This was an information only item.

4. **Educational Session on Travel, Gifts, and Compliance Issues**
This item was Deferred until the June 14, 2005 Retirement Board Meeting.

5. **Approval of Recommended Outside Counsel List**
Dan Maguire, Deputy City Attorney, and Norm Nickens, Executive Assistant, presented an oral and written report.

The Board engaged in a question and answer session on this item.

Moved by Commissioner Meiberger, seconded by Commissioner Casciato to approve the Outside Counsel List.
Ayes: Casciato, Driscoll, Meiberger, Wright
Absent: Ellington, Kim, Sandoval

6. **Adjustment of Retirement Allowance – Barry N. Hirsch (Requires Ballot Vote)**
Approved by Ballot vote to adjust the industrial disability retirement allowance to the Charter authorized amount of 53.5%.
Ayes: Casciato, Driscoll, Meiberger, Wright
Absent: Ellington, Kim, Sandoval,

7. **Adjustment of Retirement Allowance – Wayne Kanzaki (Requires Ballot Vote)**
Approved by Ballot vote to adjust the industrial disability retirement allowance to the Charter authorized amount of 87%.
Ayes: Casciato, Driscoll, Kim, Meiberger, Sandoval, Wright
Absent: Ellington

8. **CONSENT CALENDAR**
All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

8a. Voluntary Retirement Board List No. 11-04

8b. Decision of Hearing Officers

Timothy Armour Effective Date: 4/23/04	0382 Inspector III Police Dept.	Industrial Disability Retirement Granted
Nhorie Chatman Effective Date: 5/1/04	1444 Secretary I Public Health – Laguna Honda	Ordinary Disability Retirement Granted
Angelo G. Garcia Effective Date: 3/3/05	9140 Transit Manager I MUNI	Ordinary Disability Retirement /Stip. Granted
Jonathan W. Huggins Effective Date: 9/16/04	H-31 Fire/ Paramedic Fire Dept.	Industrial Disability Retirement Denied

William J. Hystad Effective Date: 7/25/03	H-2 Firefighter Fire Dept.	Industrial Disability Retirement /Stip. Granted
Ernest Jackson Effective Date: 1/6/04	2708 Custodian MUNI	Ordinary Disability Retirement/Vesting Granted
Sue Jamison Effective: 9/1/03	1426 Senior Clerk Typist DPH	Ordinary Disability Retirement/Vesting Granted
Henry Jebe Effective: 1/23/04	H-20 Lieutenant Fire	Industrial Disability Retirement/Stip Denied
Eric Kushman Effective Date: 7/1/04	7514 General Laborer MUNI	Ordinary Disability Retirement Granted
Kitty H. Lee Effective Date: 5/1/05 Arnold Logue Effective Date: 5/2/04	2912 Senior Social Worker Human Services H-2 Firefighter Fire Dept.	Ordinary Disability Retirement / Vest. Granted Industrial Disability Retirement / Stip. Granted
Armando Mayorga Effective Date: 4/29/04	H-40 Battalion Chief Fire Dept.	Industrial Disability Retirement / Stip. Granted
Carlos Morales Effective Date: 5/1/04	9703 Employ. & Train. Spec. II Human Services	Ordinary Disability Retirement Granted
Marchelle Phillips Effective Date: 7/12/03	1233 EEO Program Specialist Human Resources	Ordinary Disability Retirement Granted
Gloria A. Riley 2905 Sr. Eligibility Worker	2905 Sr. Eligibility Worker Human Resources	Ordinary Disability Retirement Denied
Debra Sheppard Effective Date: 9/1/04	8214 Parking Control Officer Parking & Traffic Dept.	Ordinary Disability Retirement Granted
Richard Siebert Effective Date: 4/8/05	H-2 Firefighter Fire Dept.	Industrial Disability Retirement Granted
Henry T. Smith Effective Date: 8/1/04	H-40 Battalion Chief Fire Dept.	Industrial Disability Retirement / Stip. Denied
Billy Tillman Effective Date: 2/12/05	2905 Sr. Eligibility Worker Human Services	Ordinary Disability Retirement Granted
Kathleen Wilcox Effective: 10/1/03	2830 Public Health Nurse DPH	Ordinary Disability Retirement/Vesting Granted

8c. **Dismissal of Industrial Disability Retirement Application**

Esther Fitting	Ordinary Disability Retirement
Ernie M. Monia	Ordinary Disability Retirement
Richard Robinson	Industrial Disability Retirement

8d. Approval of Request for Herb Meiberger, Commissioner, and other Commissioners to attend the CALAPRS Trustees' Roundtable to be held in Burbank, CA on June 3, 2005.

8e. Approval of Request for Travel for Brenda Wright, Commissioner, to travel to Houston, TX on June 6-8, 2005 for the NASP (National Association of Securities Professionals) Conference.

Moved by Commissioner Meiberger, seconded by Commissioner Casciato to approve the consent calendar.
Action: Approve as requested by the following vote:
Ayes: Casciato, Driscoll, Meiberger, Wright
Absent: Ellington, Kim, Sandoval,

9. Executive Director's Report

Clare Murphy, Executive Director, presented an oral and written report.

The Unified School District continues to experience difficulties with payroll posting, however they are currently reviewing a new payroll system.

City has reached agreement on 4 out of 11 labor MOUs currently under negotiation.

Staff continues to monitor the introduction of Charter amendments. The deadline for introducing amendments is May 24, 2005.

The Educational Opportunities list and Forward calendar were distributed.

Carl Wilberg, Senior Investment Officer, will be retiring from the Investment staff effective June 18, 2005. Ms. Murphy commended him for his ten years of service.

It is anticipated that a one-year extension of the Proposition F early retirement program will be introduced this week for consideration by the Board of Supervisors.

The Board engaged in a question and answer session on this item.

This was an information only item.

INVESTMENT CALENDAR

10. Semi Annual Performance Review of Real Estate for the Period ending 12/31/2004
David Kushner, Deputy Director for Investment, Don Holcher, Senior Investment Officer, and Micolyn Yalonis, Townsend Group, presented a written and oral report.

The Board engaged in a question and answer session on this item.

This was an information only item.

11. Review and Approval of Real Estate Strategic Investment Plan
David Kushner, Deputy Director for Investment, Don Holcher, Senior Investment Officer, and Micolyn Yalonis, Townsend Group, presented a written and oral report.

The Board engaged in a question and answer session on this item.

Commissioner Meiberger requested risk-adjusted data, Consultants agreed to provide the data prior to the next Board meeting.

Commissioner Driscoll requested clarification of the risk tolerance assumptions used in the report.

Commissioner Wright inquired regarding the status of implementing an Emerging Real Estate manager program.

Commissioner Meiberger requested clarification of the application of AIMR reporting standards to Emerging Managers under the proposed policy.

Moved by Commissioner Casciato, seconded by Commissioner Meiberger to approve the Real Estate Strategic Investment plan as amended.
Ayes: Casciato, Driscoll, Meiberger, Wright
Absent: Ellington, Kim, Sandoval

12. **Review and Approval of Fiscal Year 2005-2006 Annual Investment Plan for Real Estate**
David Kushner, Deputy Director for Investment; Don Holcher, Senior Investment Officer; Frank Blaschka and Micolyn Yalonis, Townsend Group, presented a written and oral report.

The Board engaged in a question and answer session on this item.

Moved by Commissioner Wright, seconded by Commissioner Meiberger to approve the Fiscal Year 2005-2006 Annual Investment Plan for Real Estate.
Ayes: Casciato, Driscoll, Kim, Meiberger, Wright
Absent: Ellington, Sandoval

13. **Approval of Recommendation to Invest up to $30 Million in Summit Partners VII, L.P.**
David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, and Ken Wisdom, Portfolio Advisors, presented a written and oral report.

The Board engaged in a question and answer session on this item.

Moved by Commissioner Wright, seconded by Commissioner Meiberger to approve the recommendation to invest up to $30 million in Summit Partners VII, L.P.
Ayes: Casciato, Driscoll, Meiberger, Wright
Absent: Ellington Kim, Sandoval,

14. **Asset/Liability Modeling Process, Part II**
Review and Approval of Assumptions and Various Asset Allocation Mixes to be used for Asset Allocation Modeling
David Kushner, Deputy Director for Investment and Leslie Kautz, Angeles Investment Advisors, presented a written and oral report.

The Board engaged in a question and answer session on this item.

Commissioner Meiberger requested an additional asset allocation model based on actual weightings in the current portfolio.

Moved by Commissioner Casciato, seconded by Commissioner Meiberger to recommended assumptions for Asset Allocation modeling.
Ayes: Casciato, Driscoll, Kim, Meiberger, Wright
Absent: Ellington, Sandoval

15. **Approval of Recommendation to Amend Investment Guidelines for Prima Capital Management**
David Kushner, Deputy Director for Investments, Richard Piket, Senior Investment Officer, and Frank Blaschka, Townsend Group, presented a written and oral report.

The Board engaged in a question and answer session on this item.

Moved by Commissioner Meiberger, seconded by Commissioner Wright to amend the Investment Guidelines for Prima Capital Management.
Ayes: Casciato, Driscoll, Meiberger, Wright
Absent: Ellington, Kim, Sandoval

16. **Approval of Recommendation to Amend investment Guidelines for Capital Guardian EAFE Equity**
David Kushner, Deputy Director for Investment, and Leslie Kautz, Angeles Investment Advisors, presented a written and oral report.

The Board engaged in a question and answer session on this item.

Moved by Commissioner Casciato, seconded by Commissioner Meiberger to amend the Investment Guidelines for Capital Guardian EAFE Equity.
Ayes: Casciato, Driscoll, Meiberger, Wright
Absent: Ellington, Kim, Sandoval

17. **Deputy Director for Investments Report**
David Kushner, Deputy Director for Investments, presented a written and oral report.

As of April 30, 2005, the fund was valued at approximately $12.6 billion dollars. The Deputy Director for Investments provided the Board with reports detailing movement of funds between sub-asset classes for the month ended April 30, 2005, as well as current asset and sub-asset class allocation information.

The Fund continues to be underweight the approved Asset Allocation range in Real Estate, where Staff continues to search for attractive investment opportunities. Additionally, as of April 30, the Fund was in compliance with approved ranges in the equity sub-asset classes.

The Deputy Director for Investments informed the Board of the announcement that the key portfolio managers at Dreyfus Trust (Small Cap Core Equity) announced today that they would be leaving the organization by the end of June. This manager will be placed Under Review, and additional recommendations will be made if necessary.

The Board engaged in a question and answer session on this item.

This was an information only item.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

18. Deferred Compensation Manager Report
This item was deferred until the June 14, 2005 meeting.

RETIREMENT BOARD MEMBER'S REPORT

19. Board Member's Report

Commissioner Al Casciato reported on his attendance at the Stars & Stripes Conference.

This was an information only item.

CLOSED SESSION

20. Moved by Casciato, Seconded by Meiberger to enter into closed session.
Ayes: Casciato, Driscoll, Kim Meiberger, Sandoval, Wright
Absent: Ellington

Commissioner Meiberger requested to be recused from participation in item "C" and requested clarification of the Board's policy regarding his participation in the Executive Director Performance Evaluation process.

Moved by Meiberger, Seconded by Casciato to recuse Commissioner Meiberger.
Ayes: Casciato, Driscoll, Kim Meiberger, Sandoval, Wright
Absent: Ellington

Pursuant to the Ralph M. Brown Act, Government Code Section 54956.9 and the Sunshine Act, San Francisco Administrative Code Section 67.10, the Retirement Board met in closed session:

Dan Maguire, Owen Clement, and Terry Steward, Deputy City Attorneys, presented a written and oral report on these items.

A. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
(Subdivision (a) of Government Code §54956.9; S.F. Administrative Code §67.10(d))

Safety-Kleen Bondholders Litigation

B. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
(Initiation of litigation pursuant to subdivision (c) of Government Code §54956.9
and San Francisco Administrative Code §67.10(d)(2)).

One case, as plaintiff.

C. PUBLIC EMPLOYEE PERFORMANCE EVALUATION
Executive Director
(Government Code sec. 54957, S.F. Admin. Code sec. 67.10)

Moved by Casciato, Seconded by Driscoll to return to open session and report on the closed session.
Ayes: Casciato, Driscoll, Kim Meiberger, Sandoval, Wright
Absent: Ellington

Dan Maguire, Deputy City Attorney, reported that the Board had approved a settlement in the matter of Safety-Kleen. The Board also directed the City Attorney to enter into contract negotiation regarding potential litigation and requested the City Attorney to bring the contract terms to the Board for approval at the June meeting.

Moved by Supervisor Sandoval, seconded by Commissioner Meiberger to request the City Attorney to enter into negotiation to secure outside counsel in the AIG class action litigation, final selection, contractual and fee arrangements to be made by the Board at the June 14, 2005 meeting.
Ayes: Casciato, Driscoll, Meiberger, Sandoval, Wright
No: Kim
Absent: Ellington

The Board also gave direction to the Personnel Committee regarding the evaluation of the Executive Director.

20. FYI – Trustee Material submitted by Commissioner Al Casciato
This was an information only item.

21. Adjournment
There being no further business, the Board adjourned its meeting at 1:32 PM.

Respectfully submitted,

Clare M. Murphy
Executive Director

Please Note: The minutes of this meeting set forth actions taken by the Retirement Board on the matters stated on the posted agenda, but not necessarily in the chronological sequence in which matters were considered during the actual meeting. Recorded votes reflect those Board members present at the actual time of the vote.

MINUTES

RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO

30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

DOCUMENTS DEPT.
JUL 15 2005
SAN FRANCISCO
PUBLIC LIBRARY

MEETING
TUESDAY, JUNE 14, 2005
8:30 am

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is Dedicated to Securing, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

RETIREMENT BOARD MEMBERS

Commissioner Brenda Wright, President

Commissioner Al Casciato, Vice President

Commissioner Joe Driscoll

Commissioner E. David Ellington

Commissioner Michael Kim

Commissioner Herb Meiberger

Commissioner Gerardo Sandoval

Clare M. Murphy, Executive Director

Roll Call:

Retirement Board
Present:

Joseph Driscoll, Commissioner	8:30
Al Casciato, Vice President	8:30
E. David Ellington, Commissioner	8:30
Michael Kim, Commissioner	8:30
Herb Meiberger, Commissioner	8:30
Gerardo Sandoval, Supervisor	Absent
Brenda Wright, President	Absent

Pledge of Allegiance

SPECIAL ORDER OF BUSINESS

Election of Retirement Board Officers (President and Vice-President)
Moved by Commissioner Casciato, seconded by Commissioner Meiberger to Elect Commissioner Wright as President.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger
Absent: Sandoval, Wright

Moved by Commissioner Ellington, seconded by Commissioner Meiberger to Elect Commissioner Casciato as Vice-President.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger
Absent: Sandoval, Wright

Public Comment
Members of the public shall have an opportunity to directly address the Retirement Board on items of interest to the public that are within the subject matter jurisdiction of the Retirement Board, including items being considered today. Members of the public may address the Retirement Board now or at the time an item on today's agenda is being considered. Members of the public may address the Retirement Board for up to five minutes. The President of the Retirement Board may limit the total testimony to 30 minutes.

Vice-President Casciato reviewed the Public Comment procedures for the attendees.

There was no Public Comment.

REGULAR CALENDAR

1. Minutes of the May 10, 2005 Board Meeting
Moved by Commissioner Driscoll, seconded by Commissioner Meiberger to approve the Minutes (as amended).
Ayes: Casciato, Driscoll, Kim, Meiberger
Absent: Sandoval, Wright
Abstention: Ellington

2. Old and Ongoing Business List

Moved by Commissioner Meiberger, seconded by Commissioner Kim to Approve the Old and Ongoing Business List.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger
Absent: Sandoval, Wright

3. **Request to Declare a Vacancy on the Retirement Board Effective 02/20/06**
Moved by Commissioner Meiberger, seconded by Commissioner Kim to Declare a Vacancy on the Retirement Board Effective 02/20/06.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger
Absent: Sandoval, Wright

4. **Personnel Committee Report of the Meeting held on May 17, 2005**
Vice-President Casciato presented an oral and written report on this item.

Marguerite Young from SEIU inquired regarding the timeline for addressing the position of Actuary. Commissioner Casciato reported that the search process continues, but there have been very few applications.

Commissioners Driscoll and Ellington noted that the functions of the Actuary are being performed by the Consulting Actuary, and suggested that the position could be filled as an Actuarial Services Manager.

Commissioner Kim suggested that the responsibilities of the position could be increased if that would help with recruitment.

Jean Thomas, retired City employee, supported hiring the Actuary.

Lois Black, member, spoke in support of hiring an Actuary.

The next meeting of the Personnel Committee will be July 19, 2005.

This was an information only item.

5. **Educational Session on Travel, Gifts, and Compliance Issues**
David Benjamin, Deputy City Attorney, presented an oral and written report on Travel, Gifts and Compliance issues.

The Board engaged in a question and answer session on this item.

This was an information only item.

6. **Approve Amendment to Resolution No. 44 (B) – Delegation of Investment Authority**
Clare Murphy, Executive Director, presented an oral and written report on this item.

The Board expressed their appreciation to Carl Wilberg, Senior Investment Officer, in recognition of his retirement.

Moved by Commissioner Ellington, seconded by Commissioner Kim to approve the Amendment of Resolution No. 44 – Delegation of Investment Authority.
Ayes Casciato, Driscoll, Ellington, Kim, Meiberger
Absent: Sandoval, Wright

7. CONSENT CALENDAR

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

7a. Voluntary Retirement Board List No. 12-04

7b. Decision of Hearing Officers

Steven L. Blocher Effective Date: 7/10/04	2468 Diagnostic Imaging Tech II Dept. of Public Health	Ordinary Disability Retirement / Stip. Granted
Gilbert Cortez Effective Date: 6/19/04	H-20 Lieutenant Fire Department	Industrial Disability Retirement / Stip. Granted
Michael Ebert Effective Date: 6/02/05	H-20 Lieutenant Fire Department	Industrial Disability Retirement / Stip. Granted
Kelly Hayden Effective Date: 02/01/05	8180 Principal Attorney City Attorney's Office	Ordinary Disability Retirement Granted
Karen S. Hickman Effective Date: 09/11/04	Q-4 Police officer III Police Dept.	Industrial Disability Retirement / Stip. Granted
John F. Jaber Effective Date: 02/15/03	H-2 Firefighter Fire Department	Industrial Disability Retirement Granted
Rodney Jones Effective Date: 06/01/03	2615 Lunch Rm. Helper SFUSD	Ordinary Disability Retirement Granted
Brian Leong Effective Date: 05/24/04	H-20 Lieutenant Fire Department	Industrial Disability Retirement / Stip. Granted
William J. Lowe Effective Date: 09/01/04	9126 Transit Traffic Checker MUNI	Ordinary Disability Retirement Granted
Gayle Markow Effective Date: 02/01/03	2320 Registered Nurse DPH/SFGH	Ordinary Disability Retirement/Vest. Granted
Raymond Tomasello Effective Date: 11/17/04	H-40 Battalion Chief Fire Department	Industrial Disability Retirement / Stip. Granted
Cindee Wagner Effective Date: 04/06/04	8304 Deputy Sheriff Sheriff's Department	PERS/ IDR Granted

7c. Amended Decision

Kitty Lee Effective Date: 3/01/05	2912 Social Worker DHS	Ordinary Disability Retirement/Vest Granted

Original Hearing Officer Decision was considered and approved by the Retirement Board on April 13, 2005 with an effective retirement date of May 1, 2005. Amended award has an effective retirement date of March 1, 2005.

7d. Petition for Rehearing

Wan K. Wong Effective Date: 06/07/03	2630L Cafeteria Cook SFUSD	Ordinary Disability Retirement Granted

7e. Approval of Request for Travel for Dan Maguire, Deputy City Attorney, to attend the NAPPA (National Association of Public Pension Attorneys) Conference to be held on June 28-July 1, 2005, in Lake Tahoe, Nevada.

7f. Approval of Request for Travel for Herb Meiberger, Commissioner, and other Commissioners, to travel to Anchorage, AK on July 12-15, 2005 for the Pacific Pension Institute 2005 Summer Roundtable.

7g. Approval of Amendment (add two more days of travel) of Request for Travel for Al Casciato, Commissioner, to Attend the Infovest21 Think Tank: Pension Funds and Hedge Funds Conference in Addition to the Previously Approved Conference (New America Alliance) in New York, NY on October 24-25, 2005.

Moved by Commissioner Ellington, seconded by Commissioner Meiberger to approve the Consent Calendar.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger
Absent: Sandoval, Wright

8. Executive Director's Report

Clare Murphy, Executive Director, presented an oral and written report on this item.

The San Francisco Unified School District continues to experience difficulties in the posting of payroll data, although they are planning to implement a new payroll system.

The City has completed MOUs with 9 of the 11 labor organizations currently under negotiation.

There are at least two Charter Amendments that would impact the System currently in Committee at the Board of Supervisors. The last date for approval of Charter Amendments for the November ballot by the Board of Supervisors is July 29, 2005.

The System's proposed budget for FY 05-06 was heard and approved in Committee by the Board of Supervisors with minor changes on June 1, 2005. A more detailed presentation will be made at the July Retirement Board meeting.

The Budget Analyst recommended that the position of Actuary be eliminated by Charter Amendment.

The Educational Opportunities List was distributed.

Ms. Murphy joined the Board in recognizing the work of Carl Wilberg, Senior Investment Officer.

Jean Thomas, retired employee, inquired regarding the status of the Proposition F Early Retirement Program. Ms. Murphy reported that a resolution was introduced by Supervisor Ma to extend the program for one additional year; however the resolution was referred to Committee and is currently on a thirty-day hold.

INVESTMENT CALENDAR

9. **Report on the Performance of the Retirement Fund for the Quarter Ending 3/31/05**
David Kushner, Deputy Director for Investments, Leslie Kautz and Anna Georges, Angeles Investment Advisors presented an oral and written report on this item.

The Board engaged in a question and answer session with Staff and Consultants.

This was an information only item.

10. **Report on Brokerage Commissions Generated by the Retirement Fund During the Quarter Ended 3/31/05**
David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

The Board engaged in a question and answer session with Staff.

This was an information only item.

11. **Report on Manager Monitoring List – Activities**
David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

The Board engaged in a question and answer session with Staff and Consultants.

This was an information only item.

Break: 10:10 – 10:20

12. **Approval of Recommendation to Terminate Dreyfus Trust Company**
David Kushner, Deputy Director for Investments, Leslie Kautz and Anna Georges, Angeles Investment Advisors presented an oral and written report on this item.

The Board engaged in a question and answer session with Staff and Consultants.

Moved by Commissioner Ellington, seconded by Commissioner Driscoll to approve the Recommendation to Terminate Dreyfus Trust Company.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger
Absent: Sandoval, Wright

13. **Approval of Recommendation to Amend Investment Guidelines for LSV Asset Management International Value Equity**
David Kushner, Deputy Director for Investments, Leslie Kautz and Anna Georges, Angeles Investment Advisors presented an oral and written report on this item.

The Board engaged in a question and answer session with Staff and Consultants.

Moved by Commissioner Ellington, seconded by Commissioner Meiberger to approve Recommendation to Amend Investment Guidelines for LSV Asset Management International Value Equity.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger
Absent: Sandoval, Wright

14. **Report on Performance of Alternative Investment Program for Period Ended 12/31/04**
David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, and Ken Wisdom and Paul Crotty, Portfolio Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session with Staff and Consultants.

This was an information only item.

15. **Approval of Recommendation to Commit Up To €15 Million to Palamon European Equity Partners II, LP**
David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, and Ken Wisdom and Paul Crotty, Portfolio Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session with Staff and Consultants.

Moved by Commissioner Meiberger, seconded by Commissioner Driscoll to approve the Recommendation to Commit Up To €15 Million to Palamon European Equity Partners II, LP.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger
Absent: Sandoval, Wright

16. **Approval of Recommendation to Invest Up To $50 Million in AMB Japan Fund**
David Kushner, Deputy Director for Investments, Donald Holcher, Senior Investment Officer, and Terry Ahern and Micolyn Yalonis, the Townsend Group, presented an oral and written report on this item.

The Board engaged in a question and answer session with Staff and Consultants.

Moved by Commissioner Meiberger, seconded by Commissioner Driscoll to approve the Recommendation to Invest Up To $50 Million in AMB Japan Fund.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger
Absent: Sandoval, Wright

17. **Deputy Director for Investments Report**
David Kushner, Deputy Director for Investments (DDI), presented an oral and written report on this item.

As of May 31, 2005, the Fund was valued at approximately $12.8 billion dollars. The DDI provided the Board with reports detailing movement of funds between sub-asset classes for the month ended May 31, 2005, as well as current asset and sub-asset class allocation information.

The DDI reported that the Fund continues to be underweight the approved Asset Allocation range in Real Estate, where Staff continues to search for attractive investment opportunities. Additionally, the DDI noted that as of May 31, the Fund was in compliance with approved ranges in the equity sub-asset classes.

The DDI informed the Board that Staff voted proxies to Withhold support of three directors of Career Education.

The Board engaged in a question and answer session.

This was an information only item.

17a. Proxy Votes
Moved by Commissioner Meiberger, seconded by Commissioner Kim to cast all of its proxy votes in support of the merger between Unitedglobalcom Inc. and Liberty Media International.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger
Absent: Sandoval, Wright

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

18. Deferred Compensation Manager Report
Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was an information only item.

RETIREMENT BOARD MEMBER'S REPORT

19. Board Member's Report
Commissioner Meiberger reported on his attendance at the Emerging Managers Conference, May 17-21, 2005, Chicago, IL.

Commissioner Meiberger reported on his attendance at the Calaprs Trustees' Roundtable, June 2-3, 2005, Burbank, CA.

Commissioner Ellington reported on his attendance at the World Pension Forum, May 21-28, 2005, Prague & St. Petersburg.

The Board engaged in a question and answer session on this item.

This was an information only item.

CLOSED SESSION

20. Moved by Commissioner Driscoll, seconded by Commissioner Kim to meet in Closed Session.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger
Absent: Sandoval, Wright

Pursuant to the Ralph M. Brown Act, Government Code Section 54956.9 and the Sunshine Act, San Francisco Administrative Code Section 67.10, the Retirement Board will meet in closed session.

CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION

(Subdivision (a) of Government Code sec. 54956.9; San Francisco Administrative Code sec. 67.10(d))

1. San Francisco Employees' Retirement System v. American International Group, Inc., et al. (United States District Court, Southern District of New York 05 CV 4720)

2. San Francisco Retirement Board v. Donna Anzore, S.F. Superior Court No. 503892

Moved by Commissioner Ellington, seconded by Commissioner Meiberger to return to open session and report on actions taken in the Closed Session.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger
Absent: Sandoval, Wright

Moved by Commissioner Ellington, seconded by Commissioner Kim to:
(1) accept the Superior Court decision in the Anzore matter;
(2) direct the City Attorney to finalize a contract with the Crotchet Law Firm in the AIG matter; and,
(3) not disclose any other information about what was discussed in closed session.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger
Absent: Sandoval, Wright

21. FYI – Letter from the "American Federation of State, County and Municipal Employees" – submitted by Clare M. Murphy.

22. **Adjournment**
There being no further business, the Board adjourned its meeting at 12:22 PM.

Respectfully submitted,

Clare M. Murphy
Executive Director

Please Note: The minutes of this meeting set forth actions taken by the Retirement Board on the matters stated on the posted agenda, but not necessarily in the chronological sequence in which matters were considered during the actual meeting. Recorded votes reflect those Board members present at the actual time of the vote.

MINUTES

RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO

30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
TUESDAY, JULY 12, 2005
8:30 am

DOCUMENTS DEPT.
AUG 12 2005
SAN FRANCISCO
PUBLIC LIBRARY

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is Dedicated to Securing, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

RETIREMENT BOARD MEMBERS

Commissioner Brenda Wright President

Commissioner Al Casciato Vice President

Commissioner Joseph D. Driscoll

Commissioner E. David Ellington

Commissioner Michael Kim

Commissioner Herb Meiberger

Commissioner Gerardo Sandoval

Clare M. Murphy Executive Director

Roll Call:

Retirement Board
Present:

Al Casciato, Vice President	8:30
Joseph Driscoll, Commissioner	8:30
E. David Ellington, Commissioner	8:30
Michael Kim, Commissioner	8:30
Herb Meiberger, Commissioner	8:30
Gerardo Sandoval, Supervisor	8:53
Brenda Wright, President	8:30

Pledge of Allegiance

Public Comment
Members of the public shall have an opportunity to directly address the Retirement Board on items of interest to the public that are within the subject matter jurisdiction of the Retirement Board, including items being considered today. Members of the public may address the Retirement Board now or at the time an item on today's agenda is being considered. Members of the public may address the Retirement Board for up to five minutes. The President of the Retirement Board may limit the total testimony to 30 minutes.

President Wright reviewed the Public Comment procedures for the attendees.

There were no comments from the public.

REGULAR CALENDAR

1. **Minutes of the June 14, 2005 Board Meeting**
Moved by Commissioner Meiberger, seconded by Commissioner Driscoll to approve the Minutes of June 14, 2005.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Wright
Absent: Sandoval

2. **Old and Ongoing Business List**
Moved by Commissioner Casciato, seconded by Commissioner Driscoll to Approve the Old and Ongoing Business List.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Wright
Absent: Sandoval

3. **Semi Annual Review of the Disability Application Process**
Norm Nickens, Executive Assistant, presented an oral and written report on this item.

The Board engaged in a question and answer session.

This was an information only item.

4. **Approval of Presidential Appointments to Retirement Board Committees**
Brenda Wright, President, presented an oral and written report on this item.

Commissioner Wright discussed her recommendation to combine the Alternative and Public Investment committees and have the new committee meet three times per year.

Commissioner Sandoval was present at 8:53.

The Board engaged in a question and answer session.

Commissioner Ellington requested that an annual schedule of committee meetings be distributed to the Board.

Commissioner Kim discussed the possibility of the appearance of conflict of interest with the recommendation that Commissioner Meiberger serve on the Finance Committee, as the Committee approves the System's budget and the Commissioner is also a staff member of the system.

Commissioner Wright agreed to discuss the recommendation with the City Attorney and report back at a future Board meeting.

Moved by Commissioner Ellington, seconded by Commissioner Driscoll to Approve the Recommended Appointments to Retirement Board Committees, with the exception of the Finance Committee.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval, Wright

5. **Report from the June 21, 2005 Public Investment Committee**
Brenda Wright, President, presented an oral report on this item.

Commissioner Wright reviewed the Committee's discussion of the Board's participation in the consultant evaluation process and the format for quarterly performance reporting.

The Board engaged in a question and answer session.

This was an information only item.

6. **Semi Annual Business Plan Implementation Report**
Jay Huish, Deputy Director, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioner Driscoll requested additional information regarding the Investment Risk Management Project. David Kushner, Deputy Director for Investments, offered to present an implementation plan at the next meeting of the Investment Committee.

This was an information only item.

7. **Approval of Resolution of Commendation for David Benjamin**
Clare Murphy, Executive Director, presented an oral and written report on this item.

Moved by Commissioner Casciato, seconded by Commissioner Ellington to Approve the Resolution of Commendation for David Benjamin.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval, Wright

8. Approval of Resolution of Commendation for Carl Wilberg
Clare Murphy, Executive Director, presented an oral and written report on this item.

Moved by Commissioner Meiberger, seconded by Commissioner Driscoll to Approve the Resolution of Commendation for Carl Wilberg.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval, Wright

9. CONSENT CALENDAR
All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

9a. Voluntary Retirement Board List No. 1-05

9b. Decision of Hearing Officers

Richard P. Allen Effective Date: 1/9/03	H-20 Lieutenant Fire Dept.	Industrial Disability Retirement/Stip Granted
Johnnie Banks, Jr. Effective Date: 9/11/04	9163 Transit Operator Muni	Ordinary Disability Retirement / Stip Granted
Dennis Brotarlo Effective Date: 3/1/05	2320 Registered Nurse DPH	Ordinary Disability Retirement/Vest Granted
Anthony J. Carreon Effective Date: 1/3/03	Q-2 Police Officer Police Dept.	Industrial Disability Retirement Denied
Paul Flores Effective Date: 9/1/04	2736 Porter DPH - SFGH	Ordinary Disability Retirement / Vest Granted
Alice M. Foster Effective Date: 12/01/04	2302 Nursing Assistant DPH - Laguna Honda	Ordinary Disability Retirement / Vest Granted
Stephen T. Freeman Effective Date: 4/25/04	H-30 Captain Fire Dept.	Industrial Disability Retirement/Stip Granted
Gary A. Hazelhofer Effective Date: 6/1/03	Q-4 Police Officer III Police	Industrial Disability Retirement Denied
Emerito L. Juan Effective Date: 9/24/02	7381 Auto Mechanic Muni	Ordinary Disability Retirement / Vest Denied
Jennie Kosoy Effective Date: 3/1/04	9703 Employment Specialist DHS	Ordinary Disability Retirement/Stip Granted
Dennis M. Owen Effective Date: 5/1/04	H-2 Firefighter Fire Dept.	Industrial Disability Retirement/Stip Granted

	Robert O. Postel Effective Date: 9/11/04	H-20 Lieutenant Fire Dept.	Industrial Disability Retirement/Stip Granted
	Paul R. Vega Effective Date: 1/17/04	H-6 Investigator Fire	Industrial Disability Retirement/Stip Granted
	Alvin L. White Effective Date: 6/29/05	2708 Custodian Rec. & Park	Ordinary Disability Retirement Granted
	Jerry K. Wong Effective Date: 8/1/04	9122 Transit Information Clerk Muni	Ordinary Disability Retirement / Stip Granted
9c.	**Petition for Rehearing**		
	Henry T. Smith Effective Date: 8/1/04	H-40 Battalion Chief Fire Dept.	Industrial Disability Retirement/Stip Denied
	David A. Southern Effective Date: 03/22/05	Q-2 Police Officer Police Department	Retirement Board's petition for rehearing granted. Application for Industrial Disability retirement denied.

Moved by Commissioner Ellington, seconded by Commissioner Driscoll to Approve the Consent Calendar.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval, Wright

10. Executive Director's Report

Clare Murphy, Executive Director, presented an oral and written report on this item.

The Unified School District continues to experience difficulties with payroll posting, however the June 30, 2005 statements are to be issued on schedule.

All labor negotiations that were required to be completed prior to the end of the budget process were completed on time. Additional negotiations are continuing involving members of the Sheriff's and Fire Department.

Staff has been trained on the Securities Litigation Tracking system

The Safety-Kleen litigation settlement negotiations have been substantially completed.

The City's fiscal year 2005-2006 budget process has been completed with minor adjustments to reflect citywide allocation of costs, such as telecommunications.

While the Rules Committee of the Board of Supervisors considered a variety of Charter Amendments, no items related to retirement were passed out of committee for the November 2005 ballot. An amendment related to term limits was amended in committee to exempt the Retirement and Health Services Boards.

The Board of Supervisors extended the Proposition "F" early retirement program for fiscal year 2005-2006. The Department of Human Resources is currently in the process of identifying individuals who may be eligible.

The Educational Opportunities List was distributed.

The Forward Calendar was distributed.

The Budget Analyst recommendation regarding the position of Actuary was distributed.

The Board engaged in a question and answer session on this item.

Commissioner Casciato asked the City Attorney if there were any California county retirement plans that were independent from their county budgeting process. Mr. Maguire deferred to Ms. Murphy, who indicated that only two or three plans in California had a separate budget process. Commissioner Wright referred this matter to the Personnel Committee for further consideration.

Jean Thomas, retired city employee, inquired if the next meeting of the Personnel Committee was a public meeting. Clare Murphy, Executive Director, confirmed that the meeting was a public meeting.

Ms. Murphy reminded the Board of their Educational Seminar policy, and informed the Board that she would be contacting them individually to identify their educational needs.

Lois Black, member of the public, discussed the salary range for the position of Actuary and recommended that the Personnel Committee consider raising the salary of the position to assist in recruitment efforts.

This was an information only item.

INVESTMENT CALENDAR

11. **Asset Liability Modeling Process Part III – Review of Asset Liability Analysis and Approval of Recommendation to Revise Asset Allocation**
David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investment Advisors, presented and oral and written report on this item.

The Board engaged in a question and answer session with staff and Consultant.

Commissioners Sandoval, Meiberger and Wright discussed the recommended reduction in Real Estate and the possible utilization of commingled investments.

Commissioner Ellington commented on the reliance on managers who have historic relationships with the system and the need to address emerging markets in the United States.

Commissioner Kim inquired regarding the impact of using different allocation mixes for Real Estate.

Moved by Commissioner Sandoval, seconded by Commissioner Driscoll to Approve the Recommended Revised Asset Allocation.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval, Wright

12. Update on Securities Litigation Monitoring
David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

This was an information only item.

BREAK (10:30 – 10:45)

13. Approval of Recommendation to Invest up to $25 million in Vestar Partners
David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, and Ken Wisdom, Portfolio Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session with Staff and Consultant.

Moved by Commissioner Meiberger, seconded by Commissioner Driscoll to Approve the Recommendation to Invest up to $25 million in Vestar Partners.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval, Wright

14. Approval of Recommendation to Rescind Commitment to Bunker Hill Partners I, LP
David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, and Ken Wisdom, Portfolio Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session with Staff and Consultant.

Commissioner Meiberger expressed concern regarding the impact of rescinding the commitment and stated that he would not support the recommendation.

Commissioner Ellington stated that additional time to fund raise might be appropriate and that he would not be inclined to vote in support of the motion. Mr. Kushner stated Bunker Hill had already been provided an additional six months to raise funds.

Moved by Commissioner Casciato, seconded by Commissioner Meiberger to postpone consideration until the August board meeting.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval, Wright

Commissioner Sandoval left the meeting at 11:58.

Commissioner Casciato left the meeting at 12:10.

15. Deputy Director for Investments Report
David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

As of June 30, 2005, the Fund was valued at approximately $13 billion dollars. The Deputy Director for Investments provided the Board with reports detailing movement of funds between sub-asset classes for the month ended June 30, 2005, as well as current asset and sub-asset class allocation information.

He further reported that the Fund continues to be underweight the approved Asset Allocation range in Real Estate, where Staff continues to search for attractive investment opportunities.

The Deputy Director for Investments informed the Board of Corporate Actions involving three of the System's managers:

- Legg Mason, parent of Western Asset management (Core Fixed Income Manger) acquired Citigroup Asset Management. Staff expects incremental positive benefits from this acquisition;
- The Northern Trust Emerging Manager Program lost several key employees, including Clayton Jue, head of the program; and,
- Progress Investment Management Emerging Manger Program lost Donna Gilding, Chief Investment Officer, and several midlevel analysts

The following firms were reported as out of compliance with Investment Guidelines during the month:

Zazove (Convertible Bond Manager) held 28% below investment grade securities due to market appreciation and differences between rating agencies. No action was taken.

Armstrong Shaw held 0.2% greater weighting than allowed in Consumer Services. No action was taken.

Moved by Commissioner Kim, seconded by Commissioner Meiberger that the San Francisco Retirement System cast all of its proxy votes in support of the merger between the Gillette Co. and Proctor & Gamble Co.
Ayes: Driscoll, Ellington, Kim, Meiberger, Wright
Absent: Casciato, Sandoval

Moved by Commissioner Meiberger, seconded by Commissioner Driscoll that the San Francisco Retirement System cast all of its proxy votes in support of the merger between May Department Stores and Federated Department Stores.
Ayes: Driscoll, Ellington, Kim, Meiberger, Wright
Absent: Casciato, Sandoval

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

16. **Review and Approve Recommendation to Reinstate the Option to "Defer a Portion of Accumulated Lump-Sum Payments" to the City and County of San Francisco 457(b) Deferred Compensation Plan**
Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

The Board engaged in a question and answer session on this item.

Lois Black, member of the public, asked if separating employees could join the Deferred compensation Plan in order to take advantage of the option. Ms. Cypert responded that individuals could do so within 75 days of separation.

Moved by Commissioner Ellington, seconded by Commissioner Meiberger to Approve Staff Recommendation to Reinstate the Option to "Defer a Portion of Accumulated Lump-Sum Payments" to the City and County of San Francisco 457(b) Deferred Compensation Plan.
Ayes: Driscoll, Ellington, Kim, Meiberger, Wright
Absent: Casciato, Sandoval

17. Deferred Compensation Manager Report
Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

This was an Information only item.

RETIREMENT BOARD MEMBER'S REPORT

18. Board Member's Report
Commissioner Wright presented an oral and written report on her attendance at the National Association of Securities Professionals Conference, June 6-8, 2005, Houston, Texas.

This was a discussion on item.

19. Adjournment
There being no further business, the Board adjourned its meeting at 12:22 PM.

Respectfully submitted,

Clare M. Murphy
Executive Director

RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO

30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

DOCUMENTS DEPT.

SEP 16 2005

SAN FRANCISCO
PUBLIC LIBRARY

MEETING
TUESDAY, AUGUST 9, 2005
8:30 am

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is Dedicated to Securing, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

RETIREMENT BOARD MEMBERS

Commissioner Brenda Wright President

Commissioner Al Casciato Vice President

Commissioner Joseph D. Driscoll

Commissioner E. David Ellington

Commissioner Michael Kim

Commissioner Herb Meiberger

Commissioner Gerardo Sandoval

Clare M. Murphy Executive Director

Roll Call:

Retirement Board
Present:

Al Casciato, Vice President	8:30
Joseph Driscoll, Commissioner	Absent (Jury Duty)
E. David Ellington, Commissioner	8:30
Michael Kim, Commissioner	8:30
Herb Meiberger, Commissioner	8:30
Gerardo Sandoval, Supervisor	Absent
Brenda Wright, President	8:30

Pledge of Allegiance

Public Comment
Members of the public shall have an opportunity to directly address the Retirement Board on items of interest to the public that are within the subject matter jurisdiction of the Retirement Board, including items being considered today. Members of the public may address the Retirement Board now or at the time an item on today's agenda is being considered. Members of the public may address the Retirement Board for up to five minutes. The President of the Retirement Board may limit the total testimony to 30 minutes.

President Wright reviewed the Public Comment procedures for the attendees.

Peter Ashe, requested a hearing for his client Mary-Anne White, and noted he was awaiting the Board's action on the position of Actuary.

Mike Hebel, representing the San Francisco Police Officer's Association, discussed the status of his client, Michael Sullivan, and requested that the issue be reviewed by the Board

REGULAR CALENDAR

1. **Minutes of the July 12, 2005 Board Meeting**
Action: Moved by Commissioner Meiberger, Seconded by Commissioner Casciato to Approve the Minutes of the Meeting of July 12, 2005.
Ayes: Casciato, Ellington, Kim, Meiberger, Wright
Absent: Driscoll, Sandoval

2. **Old and Ongoing Business List**
Clare Murphy, Executive Director, presented an oral and written report on this item.

This was an information only item.

3. **Retirement System Travel Expense Report for the Period Ending June 30, 2005**
Norm Nickens presented an oral and written report on this item

This was an information only item.

4. **Report from the Personnel Committee Meeting of July 19, 2005**
Commissioner Casciato presented an oral and written report on this item.

Ms. Murphy summarized the Committee's discussions regarding the status of recruitment for the position of Actuary and reported that staff will present additional information at the Committee's next meeting on September 20, 2005.

Commissioners Meiberger, Casciato, Ellington and Kim discussed the impact of the position's current salary on recruitment efforts. Commissioner Kim noted that staff is currently preparing a report on the actual duties of the position and reviewing the position title.

Peter Ashe asked if the funding for the position had been cut by the Board of Supervisors and urged the Board to fill the position. Commissioner Wright confirmed that funding for the position was still in the budget.

This was an information only item.

5. President's Report and Approval of Appointments to the Finance Committee
Commissioner Wright presented an oral and written report on this item.

Commissioner Wright reported that she had reviewed her proposed appointments to the Finance Committee with Office of the City Attorney, and that she was recommending that Commissioner Meiberger be appointed to the Finance Committee.

Dan Maguire reported that the proposed appointment of Commissioner Meiberger to the Finance Committee would not constitute a per se conflict, and that any potential conflict issues could be reviewed on a case by case basis. Commissioner Wright repeated her proposed appointments of Herb Meiberger, Chair, Michael Kim and David Ellington to the Finance Committee.

Action: Moved by Commissioner Casciato, Seconded by Commissioner Ellington to Approve the Recommended Appointments to the Finance Committee.
Ayes: Casciato, Ellington, Meiberger, Wright
Absent: Driscoll, Sandoval
Noes: Kim

6. CONSENT CALENDAR
All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

6a. Voluntary Retirement Board List No. 2-05

6b. Decision of Hearing Officers

Phillip Bailey Effective Date: 1/15/05	8482 Crime Prevention Worker DHS	Ordinary Disability Retirement/Stip Granted
Paul W. Bouldin Effective Date: 11/01/04	8205 Inst. Police Sergeant Sheriff's Department	Ordinary Disability Retirement/Stip Granted
Robert A. Brodnik Effective Date: 1/17/04	0382 Inspector III Police	Industrial Disability Retirement/Stip Granted

Douglas Clennell Effective Date: 3/1/05	Q-4 Police Officer III Police	Industrial Disability Retirement Granted
Armand F. Gordon Effective Date: 3/29/03	0382 Police Inspector III Police	Industrial Disability Retirement/Stip Granted
Vance Jack, Sr. Effective Date: 1/1/05	7458 Switch Repairer Muni	Ordinary Disability Retirement/Vest Granted
Frederick A. Lund Effective Date: 1/22/05	3417 Gardener Muni	Ordinary Disability Retirement/Vest Granted
Teodolfo G. Marucut Effective Date: 10/01/04	1426 Sr. Clerk Typist Building Inspection	Ordinary Disability Retirement/Vest Granted

6c. **Petition for Rehearing**

Robert Barbara (Deceased) Effective Date: 8/1/01	H-2 Firefighter Fire	Death as a Result of Duty Denied

6d. **Order Acknowledging Stipulation Re: Effective Date of Retirement**

Lorrie B. Slonsky Effective Date: 07/09/04	H-1 Fire Rescue Paramedic Fire	Industrial Disability Retirement Granted

6e. **Approval of Request for Travel for Herb Meiberger, Commissioner, to travel to Washington, DC on September 20-23, 2005 for the 3rd Annual Art of Indexing Summit.**

Action: Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to Approve the Consent Calendar.
Ayes: Casciato, Ellington, Kim, Meiberger, Wright
Absent: Driscoll, Sandoval

7. **Executive Director's Report**

The Unified School District continues to have reporting problems, but their annual statements will be mailed within the next week.

All labor MOU negotiations have been completed, with the exception of the Fire Chiefs.

Educational Seminar recommendations were distributed to the Board; Board members are to respond with their preferences.

The Early Retirement Program was extended for FY 2005-2006, 100 individuals have already been scheduled for counseling sessions.

SFERS and Payroll staff have completed implementation of changes mandated by MOUs.

A preliminary opinion has been released in the VPOA case, and a final report will be made to the Board at a future meeting.

SFERS was not named as the lead plaintiff in the AIG litigation; the Ohio pension plans will remain as lead plaintiffs.

The Forward Calendar was distributed.

The Board engaged in a question and answer session.

Staff will do a presentation in November for the San Francisco Retired Employees Association on the subject of miscellaneous member COLAs.

A copy of a recent article on the System in Institutional Investor was distributed.

A list of outstanding RFPs subject to the blackout period rules was distributed.

Jean Thomas, Retired City employee, asked if retroactive COLAs could be issued in the December checks. Ms. Murphy indicated that the retroactive COLAs, if authorized, will be paid in the January 31, 2006 checks.

INVESTMENT CALENDAR

8. **Review and Approval of Recommendation to Amend Sub Asset Class Targets and Ranges**
David Kushner, Deputy Director for Investments, Leslie Kautz and Anna Georges, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioner Meiberger left at 9:33AM, returned at 9:42AM.

Action: Moved by Commissioner Casciato, Seconded by Commissioner Ellington to Approve the Recommendation to Amend Sub Asset Class Targets and Ranges.
Ayes: Casciato, Ellington, Kim, Meiberger, Wright
Absent: Driscoll, Sandoval

9. **Approval of Recommendation to Revise Investment Guidelines for High Yield CMBS Managers (Hyperion and Fidelity)**
David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

9a. Hyperion
Action: Moved by Commissioner Ellington, Seconded by Commissioner Casciato to Approve the Revised Investment Guidelines for Hyperion.
Ayes: Casciato, Ellington, Kim, Meiberger, Wright
Absent: Driscoll, Sandoval

9b. Fidelity
Action: Moved by Commissioner Ellington, Seconded by Commissioner Casciato to Approve the Revised Investment Guidelines for Fidelity.
Ayes: Casciato, Ellington, Kim, Meiberger, Wright
Absent: Driscoll, Sandoval

10. **Approval of Recommendation to Revise Fixed Income Investment Guidelines to Reflect Change in Lehman Index Methodology**
David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

10a. Fisher, Frances Trees and Watts
Action: Moved by Commissioner Ellington, Seconded by Commissioner Casciato to Approve the Revise Investment Guidelines for Fisher, Frances Trees and Watts.
Ayes: Casciato, Ellington, Kim, Meiberger, Wright
Absent: Driscoll, Sandoval

10b. Bridgewater
Action: Moved by Commissioner Ellington, Seconded by Commissioner Casciato to Approve the Revise Investment Guidelines for Bridgewater.
Ayes: Casciato, Ellington, Kim, Meiberger, Wright
Absent: Driscoll, Sandoval

10c. Western Asset Management
Action: Moved by Commissioner Ellington, Seconded by Commissioner Casciato to Approve the Revise Investment Guidelines for Western Asset Management.
Ayes: Casciato, Ellington, Kim, Meiberger, Wright
Absent: Driscoll, Sandoval

11. **Approval of Recommendation to Rescind Commitment to Bunker Hill Partners I, LP**
David Kushner, Deputy Director for Investments presented an oral and written report on this item.

Commissioner Meiberger stated that he would be voting against the motion.

Action: Moved by Commissioner Kim, Seconded by Commissioner Casciato to Approve the Recommendation to Rescind Commitment to Bunker Hill Partners I, LP.
Ayes: Casciato, Ellington, Kim, Wright
Absent: Driscoll, Sandoval
Noes: Meiberger

12. **Deputy Director for Investment's Report**
David Kushner, Deputy Director for Investments (DDI) presented an oral and written report on this item.

The DDI reported that as of July 31, 2005, the Fund was valued at approximately $13.2 billion dollars. The DDI provided the Board with reports detailing movement of funds between sub-asset classes for the month ended July 31, 2005, as well as current asset and sub-asset class allocation information.

The DDI reported that, given the change to the broad Asset Allocation, the Fund continues to be underweight the approved Asset Allocation target in Real Estate, where Staff continues to search for attractive investment opportunities, but now falls within the approved range for the Asset Class. Additionally, with the changes approved in June, the Fund is currently above the allowed range for

domestic equities. The DDI noted that violations of approved asset allocation parameters might exist for several months as the Investment Staff transitions the portfolio to comply with the new guidelines.

The DDI informed the Board that Rex Sinquefield, a pioneer in the Investment Management Industry and a founder of Dimensional Fund Advisors (small cap value equity) has decided to retire. Rex has been transitioning responsibilities for many years, and there is no expected impact on the portfolio or the firm from this announcement.

The DDI reported the following Proxies voted by Staff between meetings:

Nextel merger with Sprint (voted FOR)
SunGard Data Systems - LBO (voted FOR)
Exelon merger with Public Service Enterprise Group (voted FOR)

This was an information only item.

Action: Moved by Commissioner Meiberger, Seconded by Commissioner Casciato that the San Francisco Retirement System cast all of its proxy votes in support of the merger between Unocal Corporation and Chevron Corporation.

Ayes: Casciato, Ellington, Kim, Meiberger, Wright
Absent: Driscoll, Sandoval

Commissioner Casciato requested a report on actual holdings in the merged company at a future meeting.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

13. Review and Approve Modifications to the San Francisco 457(b) Deferred Compensation Plan Investment Policy Statement

Carol Cypert, Deferred Compensation Manager, and Andrew Rasmusen, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session with Staff and Consultant.

Commissioner Meiberger expressed concern regarding the excessive trading policy language and stated his intent to vote against the recommendation. Dan Maguire, Deputy City Attorney, indicated that the language appeared to be standard contract language. Commissioner Casciato noted that the proposed language was consistent with existing policy and the ING contract.

Action: Moved by Commissioner Ellington, Seconded by Commissioner Casciato to Approve Modifications to the San Francisco 457(b) Deferred Compensation Plan Investment Policy Statement.
Ayes: Casciato, Ellington, Kim, Wright
Absent: Driscoll, Sandoval
Noes: Meiberger

14. Review and Approve Asset Allocation for the San Francisco 457(b) Deferred Compensation Plan Lifestyle Portfolios

Carol Cypert, Deferred Compensation Manager, and Andrew Rasmusen, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Action: Moved by Commissioner Ellington, Seconded by Commissioner Kim to Approve the Asset Allocation for the San Francisco 457(b) Deferred Compensation Plan Lifestyle Portfolios.
Ayes: Casciato, Ellington, Kim, Meiberger, Wright
Absent: Driscoll, Sandoval

15. **Deferred Compensation Manager Report**
Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

This was an information only item.

RETIREMENT BOARD MEMBER'S REPORT

16. **Board Member's Report**
Commissioner Meiberger reported on his attendance at the Pacific Pension Institute Conference, July 12-15, 2005, Anchorage, AK

Commissioner Meiberger requested that the Mary Anne White and Michael Sullivan cases be calendared before the Board at the October meeting.

This was an information only item.

17. **FYI – Annual Evaluation of General Consultant 2003 – submitted by Clare Murphy at the Request of Commissioner Casciato**

This was an information only item.

18. **Adjournment**
There being no further business, the Board adjourned its meeting at 11:10AM.

Respectfully submitted,

Clare M. Murphy
Executive Director

MINUTES

RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO

30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

DOCUMENTS DEPT.
OCT 14 2005
SAN FRANCISCO PUBLIC LIBRARY

MEETING
TUESDAY, SEPTEMBER 13, 2005
8:30 am

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is Dedicated to Securing, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

RETIREMENT BOARD MEMBERS

Commissioner Brenda Wright, President

Commissioner Al Casciato, Vice President

Commissioner Joseph D. Driscoll

Commissioner E. David Ellington

Commissioner Michael Kim

Commissioner Herb Meiberger

Commissioner Gerardo Sandoval

Clare M. Murphy, Executive Director

Roll Call:

Retirement Board
Present:

Al Casciato, Vice President	Absent
Joseph Driscoll, Commissioner	8:30
E. David Ellington, Commissioner	8:30
Michael Kim, Commissioner	8:30
Herb Meiberger, Commissioner	8:30
Gerardo Sandoval, Supervisor	8:55
Brenda Wright, President	8:30

Pledge of Allegiance

Public Comment
President Wright reviewed the Public Comment procedures for the attendees.

No public comment was offered.

1. **Minutes of the August 9, 2005 Board Meeting**
Moved by Commissioner Ellington, Seconded by Commissioner Meiberger to Approve the Minutes of August 9, 2005.
Ayes: Driscoll, Ellington, Kim, Meiberger, and Wright
Absent: Casciato, Sandoval
Excused: Driscoll

2. **Old and Ongoing Business List**
Clare Murphy, Executive Director, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioners Wright, Ellington, and Meiberger discussed the current format of the Board Meeting Minutes. Commissioner Wright will discuss the issue with the Executive Director and report back to the Board at a future meeting.

Moved by Commissioner Ellington, Seconded by Commissioner Wright to Approve the Old and Ongoing Business List.
Ayes: Driscoll, Ellington, Kim, Meiberger, and Wright
Absent: Casciato, Sandoval

3. **Request to Enclose Combined Charities Campaign Correspondence in the October or November Retirement Allowances**
Norm Nickens, Executive Assistant, presented an oral and written report on this item.

Moved by Commissioner Ellington, Seconded by Commissioner Meiberger to Approve the Request to Enclose Combined Charities Campaign Correspondence in the October or November Retirement Allowances.
Ayes: Driscoll, Ellington, Kim, Meiberger, and Wright

Absent: Casciato, Sandoval

4. **Adjustment of Retirement Allowance – Timothy F. Armour (Requires Ballot Vote)**
Dan Maguire, Deputy City Attorney, presented an oral and written report on this item.

Approved by Ballot Vote:
Ayes: Driscoll, Ellington, Meiberger, Sandoval, and Wright
Absent: Casciato, Kim

5. **Adjustment of Retirement Allowance – Mark Donzelii (Requires Ballot Vote)**
Dan Maguire, Deputy City Attorney, presented an oral and written report on this item.

Approved by Ballot Vote:
Ayes: Driscoll, Ellington, Meiberger, Sandoval, and Wright
Absent: Casciato, Kim

6. **Adjustment of Retirement Allowance – John F. Jaber (Requires Ballot Vote)**
Dan Maguire, Deputy City Attorney, presented an oral and written report on this item.

Approved by Ballot Vote:
Ayes: Driscoll, Ellington, Meiberger, Sandoval, and Wright
Absent: Casciato, Kim

7. **CONSENT CALENDAR**
All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

7a. Voluntary Retirement Board List No. 3-05

7b. Decision of Hearing Officers

Robert Barbara (Deceased) Effective Date: 8/1/01	H – 2 Firefighter Fire	Death as a Result-of-Duty Granted
Uwe Blesching Effective Date: 11/7/03	H-3 Firefighter/Paramedic Fire	Industrial Disability Retirement Denied
Joseph Byrne Effective Date: 3/1/05	2320 Registered Nurse DPH	Ordinary Disability Retirement Granted
Stacy L. Clark Effective Date: 6/25/04	3417 Gardener Rec. & Park	Ordinary Disability Retirement/Vest Granted
Sheila Frazier Effective Date: 10/2/04	9703 Employment Specialist DHS	Ordinary Disability Retirement/Stip Granted
Jesse A.. Frias Effective Date: 7/30/03	H-30 Fire Captain Fire	Industrial Disability Retirement/ Stip Granted

Walter K. Hoo Effective Date: 11/1/04	6231 Sr. Street Inspector Public Works	Ordinary Disability Retirement/Vest Granted
James Kenyon Effective Date: 3/26/04	H-2 Firefighter Fire	Industrial Disability Retirement/ Stip Denied
Denise Kirk Effective Date: 3/26/05	2320 Registered Nurse DPH	Ordinary Disability Retirement Denied
Ricardo M. Laborete Effective Date: 7/1/02	2604 Food Service Worker DPH/LHH	Ordinary Disability Retirement Granted
David J. Lavelle Effective Date: 7/8/00	H-10 Chief Operator Fire	Industrial Disability Retirement/ Stip Granted
Maritza Martinez Effective Date: 8/1/04	7514 General Laborer DPW	Ordinary Disability Retirement Granted
Ricky Shaddox Effective Date: 7/10/04	Q-3 Police Officer II Police	Industrial Disability Retirement Granted
Edna Siegel Effective Date: 5/19/04	8304 Deputy Sheriff Sheriff	PERS Granted
Norman Taylor Effective Date: 12/1/04	9163 Transit Operator Muni	Ordinary Disability Retirement Granted

7c. **Dismissal of Application for Ordinary Disability Retirement – Gwendolyn Durham**

7d. **Accept Superior Court Decision Approving Application for Industrial Death Benefit – Donna Anzore (Charles deceased).**

7e. **Approval of Request for Travel for David Ellington, Commissioner, to travel to New York, NY on September 14-16, 2005 for the World Pension Forum's World Leadership Symposium.**

7f. **Approval of Request for Travel for David Ellington and Brenda Wright, Commissioners, to travel to Carlsbad, CA on October 18-20, 2005 for the Plan Sponsor & Emerging Manager Alternative Investment Summit.**

7g. **Approval of Request for Travel for David Ellington, Commissioner, to travel to Palm Springs, CA on October 24-25, 2005 for the Texas Pacific Group's 12th Annual Investors Conference.**

7h. **Approval of Request for Travel for Al Casciato, Commissioner, to travel to Honolulu, HI, on November 11-17, 2005 for the 51st Annual Employee Benefits Conference, hosted by the International Foundation of Employee Benefits Plans.**

7i. **Approval of Request for Travel for Brenda Wright, Commissioner, to travel to Scottsdale, AZ on November 20-22, 2005 for the 11th Annual Plan Sponsor & Emerging Manager Conference.**

Commissioner Meiberger requested that items 7g. and 7i. be removed from the Consent Calendar for discussion.

Moved by Commissioner Meiberger, Seconded by Commissioner Ellington to Approve the Consent Calender with the exception of items 7g. and 7i.:
Ayes: Driscoll, Ellington, Kim, Meiberger, Wright
Absent: Casciato, Sandoval

Commissioner Ellington withdrew his request to travel to Palm Springs (item 7g) and indicated that he may travel on his own.

Commissioner Sandoval present at 8:55 AM.

Commissioner Meiberger requested clarification as to the application of the Board's blackout policy in regard to the proposed travel to the Annual Plan Sponsor & Emerging Manager Conference. Dan Maguire, Deputy City Attorney, stated that the Board policy prohibited discussions with firms that had bid. This does not prohibit Board members from attending the conference as long as they do not engage in substantive discussions with actual or prospective bidders.

Moved by Commissioner Meiberger, Seconded by Commissioner Ellington to approve item 7i.
Ayes: Driscoll, Ellington, Kim, Meiberger, Sandoval, Wright
Absent: Casciato

8. Executive Director's Report

Clare Murphy, Executive Director, presented an oral and written report on these items.

Annual statements were issued to all participants, including members of the Unified School District. Fewer problems were reported than in previous years.

The MEA Fire Chiefs negotiations are still in process. This continues to impact approximately 10 retired Fire Chiefs.

The Early Retirement Program has made 69 offers and the process has been substantially completed.

There has been no securities litigation in the last month. The Gilbert Montoya case has been resolved, upholding the previous action taken by the Board.

Two nominations have been received for the Board election to fill the vacancy occurring in February 2006.

The Educational Opportunities List was distributed.

The Active RFP List was distributed.

Ms. Murphy has been nominated for an award by Institutional Investor, the awards will be presented in October.

Commissioner Sandoval requested a report on the costs of transfer of the District Attorneys to PERS at the next meeting. Ms. Murphy requested that the request be directed to the City Attorney to determine if this would be an appropriate expense of Plan assets, as there is no proposed City action upon which to base a report.

Commissioner Sandoval will follow up with the City Attorney's Office.

INVESTMENT CALENDAR

9. **Approval of Recommendation to Commit up to $50 Million in GMAC Asia Co-Investment Program**
David Kushner, Deputy Director for Investments, Donald Holcher, Senior Investment Officer, and Micolyn Yalonis, The Townsend Group, presented an oral and written report on this item.

The Board engaged in a question and answer session with Staff and Consultant.

Mr. Holcher reviewed the history of the recommendation to consider investment in Asia, including projected population and economic growth. This is the initiation of a long-term process that will include flexibility, control, and appropriate partnerships.

Commissioner Ellington expressed support for additional investment in Asia and the specific proposed recommendation, but also expressed reservations regarding GMAC as the most appropriate firm for this type of investment. He recommended that staff broaden their efforts to include firms with long term experience in the region. He also noted that while the proposed investment was labeled "Asia", it is actually Japan specific.

Mr. Holcher agreed with the recommendation to broaden the search effort, but also noted the challenge of transparency in the region.

Commissioner Ellington inquired as to whether there would be an opportunity to meet with the principals from GMAC. Mr. Holcher and Ms. Yalonis stated they had met with some of the principals.

Commissioner Driscoll requested clarification on the use of leverage in the proposed investment. Mr. Holcher noted that the proposed investment would allow 15% in non-conforming loans for the first two years.

Commissioner Driscoll inquired if any other institutional investors were currently involved, Mr. Holcher responded that there were not any at this time.

Commissioner Driscoll inquired about the possibility of a high turn over rate on properties. Mr. Holcher indicated that this was likely in the short term, however, this would change in the long term.

Commissioner Driscoll raised the issue of currency, Mr. Holcher responded that GMAC will provide full disclosure and regular reports on currency hedging.

Commissioner Ellington noted that this was a program and not a fund, therefore, there would be additional responsibilities for the System's staff. Mr. Kushner stated that he would be managing currency risk exposure.

Commissioner Meiberger inquired regarding the impact of GM's declining credit rating on GMAC. Mr. Holcher indicated that this had been discussed and there did not appear to be an impact on GMAC.

Commissioner Meiberger inquired regarding the flexibility to pass on any specific property, Mr. Holcher confirmed that the proposal would allow for passing on any specific property.

Commissioner Meiberger expressed concern regarding the proposed 40% carried interest, which was significantly higher than in any other current investment. Ms. Yalonis indicated that a fee analysis had been performed and there had been significant effort in negotiating the fee.

Commissioner Sandoval inquired how common was this type of investment for a public fund and the potential risk given the political climate in Asia. Mr. Kusher indicated that it was not common type of investment, but some larger funds (such as CalPERS) did have similar investments.

Mr. Holcher noted that SFERS was the first public fund to co-invest with GMAC in residential apartment buildings four years ago, and that there was sufficient flexibility (quick call capability) in the proposed investment.

Commissioner Sandoval inquired regarding monitoring and the time period to determine the success of the proposed investment. Mr. Kushner indicated that a four to five year period would be appropriate.

Commissioner Wright noted the depth and experience of the principals, but expressed concern regarding their track record. While expressing support for the proposed investment, she also noted the need to address the issue of domestic emerging markets.

Commissioner Wright asked for clarification as to whether investment in properties outside of Japan would require separate Board approval. Mr. Holcher confirmed that Board approval would be required for properties outside of Japan.

Commissioner Wright noted the need to be sensitive to human rights concerns in the region.

Moved by Commissioner Meiberger, Seconded by Commissioner Ellington to Approve the Recommendation to Commit up to $50 Million in GMAC Asia Co-Investment Program.
Moved by Commissioner Meiberger, Seconded by Commissioner Ellington
Ayes: Driscoll, Ellington, Kim, Meiberger, Sandoval, Wright
Absent: Casciato

10. Approval of Recommendation to Amend Investment Policy Statement

David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investments, presented a written and oral report on this item.

The Board engaged in a question and answer session with Staff and Consultant.

Moved by Commissioner Sandoval, Seconded by Commissioner Ellington to Approve the Recommendation to Amend the Investment Policy Statement
Ayes: Driscoll, Ellington, Kim, Meiberger, Sandoval, and Wright
Absent: Casciato

Break: 11:10 – 11:24

11. **Report on the Performance of the Retirement Fund for the Quarter and Fiscal Year Ending 06/30/05**
David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investments, presented a written and oral report on this item.

The Board engaged in a question and answer session on this item.

Commissioner Driscoll asked for elaboration for how the managers performed based on their policy as opposed to benchmark in the area of International Equity. Mr. Kushner indicated that they had under performed.

Ms. Kautz discussed the issue of style allocation versus policy.

Commissioner Driscoll discussed the efficiency of the benchmarks as indicators.

Mr. Kushner noted that the issue of investment quarterly reporting formats has been placed on the October Investment Committee agenda. He invited the Board to submit input in advance of the meeting.

This was a discussion only item.

12. **Report on Manager Monitoring List – Activities**
David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investments, presented an oral and written report on this item.

The Board engaged in a question and answer session on this item.

This was a discussion only item.

13. **Report on Brokerage Commissions Generated by the Retirement Fund During the Quarter and Fiscal Year Ended 06/30/05**
David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investments, presented an oral and written report on this item.

The Board engaged in a question and answer session on this item.

This was a discussion only item.

14. **Annual Report on Tobacco Divestiture**
David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investments, presented an oral and written report on this item.

The Board engaged in a question and answer session on this item.

This was a discussion only item.

15. **Review and Approval of Request for Proposal for Emerging Markets Equity Manager(s)**

David Kushner, Deputy Director for Investments, and Leslie Kautz, Angeles Investments, presented an oral and written report on this item.

Mr. Kushner noted that four additional products were being added to the list submitted to the Board.

The Board engaged in a question and answer session.

Commissioner Ellington inquired as to when the RFP would likely be issued. Mr. Kushner indicated that if approved by the Board and the City Attorney, the RFP could be issued by September 16, 2005.

Commissioner Meiberger inquired if closed funds would be solicited for the RFP. Mr. Kushner indicated that they would receive copies of the RFP.

Moved by Commissioner Meiberger, Seconded by Commissioner Ellington to Approve the Request for Proposal for Emerging Markets Equity Manager(s)
Ayes: Driscoll, Ellington, Kim, Meiberger, Sandoval, and Wright
Absent: Casciato

16. Approval of Recommendation to Commit up to $20 Million to Apollo Investment Fund VI, L.P.

David Kushner, Deputy Director for Investments, and Ken Wisdom, Portfolio Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioner Driscoll inquired regarding the projected fund sizes and if there was a limit on non-US investment. Mr. Wisdom indicated that the fund size would be $9.8 billion. Mr. Kushner indicated that there was a limit of 25% on investments outside of North America.

Moved by Commissioner Ellington, Seconded by Commissioner Meiberger to Approve the Recommendation to Commit up to $20 Million to Apollo Investment Fund VI, L.P.
Ayes: Driscoll, Ellington, Kim, Meiberger, Sandoval, and Wright
Absent: Casciato

17. Deputy Director for Investments Report

David Kushner, Deputy Director for Investments (DDI), presented an oral and written report on this item.

As of August 31, 2005, the fund was valued at approximately $13.2 billion dollars. The DDI provided the Board with reports detailing movement of funds between sub-asset classes for the month ended August 31, 2005, as well as current asset and sub-asset class allocation information.

The DDI reported that, given the recent approval of the sub-asset class targets, the Fund is slightly above the allowed range for High Yield Corporate Fixed Income, where instructions have been given to managers to begin raising cash to reallocate to other segments of the Fund. The DDI noted that violations of approved asset allocation parameters may exist for several months as the Investment Staff transitions the portfolio to comply with the new guidelines.

The DDI informed the Board that Hyperion/GMAC (High Yield CMBS Manager) has terminated the joint venture, and Hyperion will be assuming management of the assets.

The DDI reported the following Proxies voted by Staff between meetings:

Neiman Marcus Group Inc. – Acquisition by TPG, Warburg Pincus – Voted FOR
Adobe Systems acquisition of Macromedia – Voted FOR
Sun Microsystems acquisition of Storage Technology – Voted FOR
Washington Mutual acquisition of Providian Financial – Voted FOR

This was a discussion only item.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

18. **Review of the "Semi-Annual Investment Performance Analysis" Provided by Angeles Investment Advisors**
Carol Cypert, Deferred Compensation Manager, and Andrew Rasmusen, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session with Staff and Consultant.

This was a discussion only item.

19. **Review and Approve Addition of Morgan Stanley Institutional Real Estate A, Real Estate Investment Trust (REIT) to the Core Investment Fund Line-up within the 457(b) Deferred Compensation Plan (Plan)**
Carol Cypert, Deferred Compensation Manager, and Andrew Rasmusen, Angeles Investment Advisors, presented an oral and written report on this item.

Ms. Cypert noted that if approved the fund would not be available to participants until February 2006.

The Board engaged in a question and answer session on this item.

Commissioner Driscoll inquired regarding large shareholders in the proposed REIT. Mr. Rasmusen reported that he would submit supplemental information.

Moved by Commissioner Ellington, Seconded by Commissioner Driscoll to Approve Addition of Morgan Stanley Institutional Real Estate A, Real Estate Investment Trust (REIT) to the Core Investment Fund Line-up within the 457(b) Deferred Compensation Plan (Plan).
Ayes: Driscoll, Ellington, Meiberger, and Wright
Absent: Casciato, Kim and Sandoval

20. **Deferred Compensation Manager Report**
Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

This was a discussion only item.

CLOSED SESSION

21. **Pursuant to the Ralph M. Brown Act, Government Code Section 54956.9 and the Sunshine Act, San Francisco Administrative Code Section 67.10, the Retirement Board met in closed session.**

CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
Initiation of litigation pursuant to subdivision (c) of Government Code section 54956.9 and San Francisco Administrative Code section 67.10(d)(2)

Anticipated litigation: One case by individual member disputing service credit in pension calculation, as defendant.

Moved by Commissioner Ellington, Seconded by Commissioner Driscoll to meet in Closed Session.
Ayes: Driscoll, Ellington, Meiberger, and Wright
Absent: Casciato, Kim and Sandoval

Moved by Commissioner Ellington, Seconded by Commissioner Meiberger to reconvene in Open Session and not disclose discussion in closed session. (Government Code section 54957.1(a)(2) and San Francisco Administrative Code section 67.12(a) and 67.12(b)(2).)
Ayes: Driscoll, Ellington, Kim, Meiberger, and Wright
Absent: Casciato, Kim, Sandoval

The Board directed the City Attorney to contact the applicant's attorney to schedule a hearing before a hearing officer.

RETIREMENT BOARD MEMBER'S REPORT

22. Board Member's Report
None.

23. Adjournment
There being no further business, the Board adjourned its meeting at 12:31 PM

Respectfully submitted,

Clare M. Murphy

Clare M. Murphy
Executive Director

MINUTES

RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO

30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

TUESDAY, OCTOBER 11, 2005
8:30 am

DOCUMENTS DEPT.
NOV 10 2005
SAN FRANCISCO
PUBLIC LIBRARY

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is Dedicated to Securing, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

RETIREMENT BOARD MEMBERS

Commissioner Brenda Wright President

Commissioner Al Casciato Vice President

Commissioner Joseph D. Driscoll

Commissioner E. David Ellington

Commissioner Michael Kim

Commissioner Herb Meiberger

Commissioner Gerardo Sandoval

Clare M. Murphy Executive Director

Roll Call:

Retirement Board
Present:

Al Casciato, Vice President	8:30
Joseph Driscoll, Commissioner	8:30
E. David Ellington, Commissioner	8:30
Michael Kim, Commissioner	8:30
Herb Meiberger, Commissioner	8:30
Gerardo Sandoval, Supervisor	8:30
Brenda Wright, President	8:30

Pledge of Allegiance

Public Comment

President Wright reviewed the Public Comment procedures for the attendees and welcomed a delegation of Japanese pension officials.

No public comment was offered.

REGULAR CALENDAR

1. **Minutes of the September 13, 2005 Board Meeting**
Moved by Commissioner Driscoll, Seconded by Commissioner Casciato to Approve the Minutes of the September 13, 2005 Board Meeting.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval and Wright

2. **Old and Ongoing Business List**
Clare Murphy, Executive Director, presented an oral and written report on this item. Ms. Murphy noted that the Securities Litigation items, Policy and recommended Counsel List, were scheduled to be adopted later in the meeting. Following their adoption, these items could be removed from the list as completed.

Moved by Commissioner Ellington, Seconded by Commissioner Driscoll to Accept the Old and Ongoing Business List.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval and Wright

3. **Approval of Request to Authorize Actuarial Cost Study of Proposed District Attorneys/ Public Defender Attorneys/ Public Defender Investigators Transfer to CalPERS.**
Clare Murphy, Executive Director, presented an oral and written report on this item.

Dan Maguire reported that the City Attorney's Office had reviewed the question of whether this was a legitimate expense of the Retirement System and had determined that it was.

Commissioner Sandoval reminded the Board that Proposition B had been overwhelmingly passed by the voters and this was part of the implementation of Proposition B.

The Board engaged in a question and answer session on this item.

Moved by Commissioner Casciato, Seconded by Commissioner Ellington to Approve the Request to Authorize an Actuarial Cost Study of the Proposed District Attorneys/Public Defender Attorneys/ Public Defender Investigators Transfer to CalPERS.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, Sandoval and Wright

4. Actuarial Audit Report

Clare Murphy, Executive Director, and Rick Roeder and Rebekah Bayram of Gabriel, Roeder, Smith and Company, consulting actuary, presented an oral and written report on this item.

The Board engaged in a question and answer session.

Commissioners Ellington, Meiberger and Wright inquired regarding the sample size and selection process.

Commissioner Ellington inquired whether a range of economic assumptions had been utilized in the audit. Leslie Finertie, Consulting Actuary, responded that the Board had received a range of economic assumptions in a prior report.

Peter Ashe, retired member, asked how "unforeseen" factors such as hurricane Katrina had been considered. Ms. Murphy responded that this had not been part of the actuarial audit.

Commissioner Sandoval inquired how frequently five-year smoothing was used by large public pension plans. Mr. Roeder responded that there were many different methods of actuarial smoothing of assets, such as Los Angeles County's three-year smoothing process, however approximately 50% of large public pension plans used a five-year smoothing process.

Mr. Roeder noted that the best practice is to not differentiate between different types of income to the Trust.

Mr. Roeder recommended the explicit recognition of reciprocity.

Mr. Roeder recommended that demographic assumptions, other than mortality, should be made unisex.

Finally, Mr. Roeder recommended that timing of all decrements be made uniform.

Mr. Roeder noted that the System currently utilizes a number of best practice models, including use of Entry Age Normal Funding, express recognition of plan administrative expenses and the 20-year amortization of plan amendments.

In regard to reporting format, Mr. Roeder noted that it is best to disclose all relevant assumptions in the report, including the use of 5-10 year comparative schedules on key assumptions whenever possible.

Commissioner Driscoll asked for clarification regarding the recommendation to treat capital appreciation and dividend/investment income alike. Ms. Murphy suggested that Mr. Kushner could address this in more detail at a future meeting.

Commissioner Sandoval left the meeting at 9:43

Commissioner Ellington reviewed and summarized the recommendations presented in the Actuarial Audit Report.

Commissioner Meiberger inquired regarding the scope of the audit, time period in which the audit was conducted, and cost. Mr. Roeder reported that the process started for the level 2 audit in the Spring of 2005 and was completed in late September 2005. The cost was approximately $50,000.

Commissioner Meiberger asked for an estimate of the cost of the non-consideration of disability for Safety Officers by Towers Perrin. Mr. Roeder indicated that a parallel valuation was not part of the audit process. Commissioner Meiberger asked how long Towers Perrin had not been considering disability for Safety Officers. Leslie Finertie responded that the reprogramming occurred in 1999.

Commissioner Meiberger inquired regarding the implementation of the recommendations from the audit report. Ms. Finertie responded that costs would decrease over time.

Commissioner Wright asked for clarification of the "errors" identified in the audit. Mr. Roeder clarified that recommendations regarding best practices did not constitute an "error". The treatment of disability, however, could be regarded as an "error" in that it fell outside the standard of practice.

Commissioner Kim inquired regarding the origin of the change in the treatment of disability. Ms. Finertie reported that the changes were made in 1999 and that there was a SFERS in-house actuary in place at that time.

In response to a question from Commissioner Kim, Mr. Roeder reported that his firm conducts one to two actuarial audits per year. He noted that most public plans used outside actuarial consultants, however, it was atypical for public plans to have an in-house actuary. He further noted that even for those systems, such as CalPERS, that have in-house actuaries there is still a need to have outside consulting actuaries.

Commissioner Driscoll inquired regarding the proposed report for December, and requested that the issue of data quality be addressed.

Moved by Commissioner Driscoll, Seconded by Commissioner Kim to Accept the Actuarial Audit Report and Staff Recommendations.

Ayes:	Casciato, Driscoll, Ellington, Kim, and Wright
Noes:	Meiberger
Absent:	Sandoval

Break 10:05 – 10:20

5. **Personnel Committee Report**
Commissioner Casciato presented an oral report on this item.

Peter Ashe, retired member, addressed the Board regarding the need to fill the position of Actuary.

Commissioner Ellington noted that the "error" reported in the actuarial audit had occurred during the period when the System had an in-house Actuary.

Commissioner Meiberger noted that the System does not currently have an Actuary as required by the Charter.

Commissioner Casciato noted that the position remains posted and there had only been one new application since the previous meeting of the Personnel Committee.

Commissioner Wright noted that the Personnel Committee was continuing their efforts to fill the position.

This was an information only item.

6. **Semi Annual Report on Retirement Information Systems & Technology**
Ron Puff, Information Systems Manager, presented an oral and written report on this item.

The Board engaged in a question and answer session on this item.

Commissioner Casciato inquired regarding disaster planning. Mr. Puff reviewed the disaster planning procedures that have been implemented, including the ability to generate electronic transfer of funds from off-site in the event of a disaster.

Mr. Huish, Deputy Director, noted that recent experience with hurricanes Katrina and Rita demonstrated the value of electronic funds transfer.

Commissioner Kim inquired regarding the adequacy of the System's network security. Mr. Puff reported that no problems with System security have been reported. Anti-virus software is updated on a daily basis.

This was an information only item.

7. **Review of Travel Request Form**
Norm Nickens, Executive Assistant, and Caryn Bortnick, Deputy City Attorney, presented an oral and written report on this item.

This item was continued to the next meeting.

8. **Review and Approval of Securities Litigation Policy**
Caryn Bortnick, Deputy City Attorney, presented an oral and written report on this item.

Ms. Bortnick noted that securities litigation monitoring is currently performed by IRSS.

The Board engaged in a question and answer session on this item.

Moved by Commissioner Meiberger, Seconded by Commissioner Casciato to Approve the Securities Litigation Policy.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, and Wright
Absent: Sandoval

9. **Review and Approval of Securities Litigation Counsel List**
Caryn Bortnick, Deputy City Attorney, presented an oral and written report on this item.

The Board engaged in a question and answer session on this item.

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to Approve the Securities Litigation Counsel List.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, and Wright
Absent: Sandoval

Commissioner Casciato recommended that this item be removed from the Old and On-going Business List.

10. **Approval of Request for Travel for Herb Meiberger, Commissioner, to travel to China on October 31- November 9, 2005 for the Pacific Pension Institute CIO, Trustees Conference.**

Commissioner Driscoll asked for clarification as to the rationale for the proposed travel. Commissioner Meiberger responded that the travel was an opportunity to learn more about investing in China, including addressing transparency issues.

Commissioner Ellington inquired if Commissioner Meiberger had attended any other Pacific Pension Institute sessions this year. Commissioner Meiberger responded that this was his second session this year.

Commissioner Wright asked for clarification on the events included in the travel. Mr. Meiberger reported that he had not planned on attending the two-day session at the end of the proposed travel.

Commissioner Driscoll moved and Commissioner Ellington seconded a motion to approve the request as amended, including the two-day session.

Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, and Wright
Absent: Sandoval

11. **CONSENT CALENDAR**
All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

11a. Voluntary Retirement Board List No. 4-05

11b. Decision of Hearing Officers

Carlos Ardon Effective Date: 5/1/05	9163 Transit Operator Muni	Ordinary Disability Retirement/Vesting Granted

Michael T. Dempsey Effective Date: 11/8/03	Q-52 Sergeant III Police	Industrial Disability Retirement/Stip Denied
Anne M. Hoke Effective Date: 1/14/05	Q-4 Police Officer III Police	Industrial Disability Retirement Denied
Vladimir Kovaleff Effective Date: 4/19/04	Q-62 Lieutenant III Police	Industrial Disability Retirement/Stip Denied
James Moore Effective Date: 3/9/04	8308 Sheriff's Sergeant Sheriff	PERS Granted
Patrick K. Pittson Effective Date: 5/16/04	H – 20 Lieutenant Fire	Industrial Disability Retirement/Stip Granted
Anita M. Price Effective Date: 10/01/04	1444 Secretary I Muni	Ordinary Disability Retirement/Stip Granted
Apolinar Rojas Effective Date: 6/30/05	7449 Sewer Service Worker PUC	Ordinary Disability Retirement Granted
Morgan Walford Effective Date: 7/1/04	7238 Electrician Supervisor I PUC/Clean Water	Ordinary Disability Retirement Granted

11c. Approval of Ratification of Travel for Michael Kim, Commissioner, to attend the Council of Institutional Investors Conference in Los Angeles, CA on September 28-20, 2005.

11d. Approval of Request for Travel for all Board Commissioners, to attend the CALAPRS Trustees' Roundtable to be held in Oakland, CA on October 14, 2005.

11e. Approval of Request for Travel for Herb Meiberger, Commissioner, and other Board Commissioners, to attend the Public Funds Forum in San Francisco, CA on December 4-7, 2005.

Moved by Commissioner Driscoll, Seconded by Commissioner Casciato to approve the Consent Calendar as amended (11c deleted).
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, and Wright
Absent: Sandoval

12. Executive Director's Report
Clare Murphy, Executive Director, presented an oral and a written report on this item.

The SFUSD has updated their payroll systems and are current.

The City is planning its MOU negotiation process for next year.

A Forward Calendar was distributed to the Board, Ms. Murphy noted that the Personnel Committee has scheduled their next meeting for November 8, 2005.

There are two candidates for the 2006 Retirement Board election, an orientation session for candidates has been scheduled for October 17, 2005.

An Educational Opportunities List was distributed.

Commissioner Meiberger left the meeting at 11:23.

A litigation update was provided on Clare Mortimer v. Retirement Board (Superior Court judgement upheld denial of disability retirement application) and James Cone vs. SFERS et al (Probate QDRO/death benefit issues resolved, SFERS has received returned funds to pay QDRO to ex-spouse).

A legislation update was provided:

SB 439 was signed by Governor and Chaptered to be effective January 1, 2006. Legislation amends the California Public Records Act limiting disclosure of records relating to alternative investments. SFERS Alternative Investments Disclosure Policy will require amendment to comply with SB 439. The proposed amendment will be calendared for Board consideration prior to year-end.

ACA 23 A new proposed Constitutional Amendment was introduced by Assembly Member Richman at the deadline on September 8, 2005. This Constitutional Amendment requires the creation of defined contribution/hybrid plans to apply to all persons hired by a public agency on or after July 1, 2007. This is presently a legislative proposal but is expected to be moved forward as an initiative as well.

Commissioner Meiberger returned to the meeting at 11:25.

Commissioner Kim left the meeting at 11:28.

Commissioner Kim returned to the meeting at 11:35.

Jean Thomas asked who were the Retirement Board election candidates, Ms. Murphy stated they are Joseph Driscoll and Ed Walsh, Jr.

Ms. Murphy reviewed the Board Blackout Policy list.

The Board engaged in a question and answer session.

This was a discussion only item.

INVESTMENT CALENDAR

13. **Semi-Annual Review of Real Estate for the Period Ending 6/30/05.**
David Kushner, Deputy Director for Investments, Don Holcher, Senior Investment Officer, and Micolyn Yalonis, Townsend Group, presented an oral and written report on this item.

The Board engaged in a question and answer session on this item.

Commissioner Casciato inquired regarding the impact of the recent hurricanes. Ms. Yalonis reported that higher construction costs were currently being experienced which will limit growth in the supply of Real Estate.

Commissioner Wright inquired regarding urban in-fill (Emerging Domestic Market) projects. Ms. Yalonis and Mr. Holcher responded that they are continuing to explore this area and expect to bring a recommendation to the Board in the next few months.

This was an information only item.

14. **Approval of Recommendation to Invest up to $ 25 Million in Blackstone International Real Estate (Europe) Fund.**
David Kushner, Deputy Director for Investments, Don Holcher, Senior Investment Officer, and Micolyn Yalonis, Townsend Group, presented an oral and written report on this item.

The Board engaged in a question and answer session on this item.

Commissioner Ellington left the meeting at 11:56.

Commissioner Kim noted that the cover memo could have been more succinct.

Moved by Commissioner Meiberger, Seconded by Commissioner Driscoll to approve the recommendation to Invest up to $ 25 Million in Blackstone International Real Estate (Europe) Fund.
Ayes: Casciato, Driscoll, Kim, Meiberger, and Wright
Absent: Ellington and Sandoval

15. **Review and Approval of Recommendation for Manager of Emerging Managers: Approval of Bivium as a Manager of US Domestic Small Cap Managers for Emerging Manager Program.**
David Kushner, Deputy Director for Investments, Bill Coaker, Senior Investment Officer, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

Commissioner Ellington returned to the meeting at 11:59.

Ms. Kautz and Mr. Coaker reviewed the history of the proposed recommendation.

The Board engaged in a question and answer session on this item.

Commissioner Kim expressed concern regarding the husband and wife team in the proposed investment. He also noted that his business partner has a personal investment in the proposed investment and that although the City Attorney had determined that this did not constitute a formal conflict, he would be requesting to be recused from the vote.

Mr. Coaker noted that his concern had been reviewed as part of Staff's due diligence efforts.

In response to a question from Commissioner Kim, Mr. Kushner noted that there was a need to identify a small-cap CORE manager, and that emerging managers tended to be more flexible and generated higher returns.

Commissioner Driscoll inquired regarding the ownership interests in the proposed investment.

Mr. Coaker noted that the proposed investment provided an opportunity to diversify into micro-cap investments that would generally not be available to the Fund.

Moved by Commissioner Kim and Seconded by Commissioner Driscoll to recuse Commissioner Kim from voting.
Ayes: Casciato, Driscoll, Ellington, Kim, Meiberger, and Wright
Absent: Sandoval

Commissioner Kim left the meeting at 12:27.

Commissioner Meiberger inquired regarding the projected excess returns to be generated and noted that he believed that there were alternatives available.

Commissioner Meiberger also expressed concern regarding a husband and wife team given the small size of the firm. Mr. Kushner noted that they were not directly involved in asset management.

Moved by Commissioner Ellington and Seconded by Commissioner Driscoll to Approve Bivium as a Manager of US Domestic Small Cap Managers with SFERS Authority to Freeze the Underlying Assets.
Ayes: Casciato, Driscoll, Ellington, and Wright
Noes: Meiberger
Absent: Kim and Sandoval

Mr. Kushner noted that the investment guidelines would be presented to the Board at a future meeting.

Jean Thomas, retired employee, stated that the Board was accepting a simulated track record and that this was not a prudent investment.

16. **Approval of Recommendation to Invest up to $15 Million in OCM Opportunities Fund VI, L.P.**

David Kushner, Deputy Director for Investments, and Glen Schwartz, Senior Investment Officer, presented an oral and written report on this item.

Moved by Commissioner Ellington, Seconded by Commissioner Meiberger to approve the recommendation to Invest up to $15 Million to OCM Opportunities Fund VI, L.P.
Ayes: Casciato, Driscoll, Ellington, Meiberger, and Wright
Absent: Kim and Sandoval

17. **Deputy Director for Investments Report.**
David Kushner, Deputy Director for Investments (DDI), reported:

- As of September 30, 2005, the fund was valued at approximately $13.5 billion dollars. The DDI provided the Board with reports detailing movement of funds between sub-asset classes for the month ended September 30, 2005, as well as current asset and sub-asset class allocation information.
- The DDI reported that all broad and sub-asset classes are now within their allowed ranges.
- The DDI informed the Board that with the passage of legislation related to public disclosure of private equity information, the Retirement System Policy on Public Disclosure will be reviewed with

the City Attorney, and any necessary changes to the policy will be brought to the Board in the near future.

- The following Proxies were voted on by Staff between meetings:

  Catellus acquisition by Prologis (voted FOR)
  Instinet Group merger with NASDAQ (voted FOR)

This was a discussion only item.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

18. Deferred Compensation Manager Report

Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

The City and County of San Francisco was honored at the annual meeting of the National Association of Government Defined Contribution Administrators (NAGDCA) with a 2005 Leadership Recognition Award for 457 Plan Design and Communication.

The Board engaged in a question and answer session.

Ms. Murphy noted that the Deferred Compensation Committee would be meeting on November 15, 2005 to discuss recently enacted emergency provisions.

This was a discussion only item.

RETIREMENT BOARD MEMBER'S REPORT

19. Board Member's Report

Commissioner Ellington reported on his attendance at the World Pension Forum in New York. This included presentations on the impact of rising energy costs on investments.

Commissioner Meiberger reported on his attendance at the Art of Indexing Conference in Washington, D.C. This included presentations on different types of indexes and discussion of hedging.

Commissioner Driscoll noted that the Investment Committee (Committee of the Whole) would be held on Tuesday, October 18, 2005 at 8:30. The Governance Committee will meet at 10:00 on October 18, 2005.

20. Adjournment

There being no further business, the Board adjourned its meeting at 1:01 PM

Respectfully submitted,

Clare M. Murphy
Executive Director

MINUTES

RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO

30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

SPECIAL BOARD MEETING
TUESDAY, OCTOBER 25, 2005
12:00 pm

DOCUMENTS DEPT.
NOV 10 2005
SAN FRANCISCO
PUBLIC LIBRARY

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is Dedicated to Securing, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

RETIREMENT BOARD MEMBERS

Commissioner Brenda Wright President

Commissioner Al Casciato Vice President

Commissioner Joseph D. Driscoll

Commissioner E. David Ellington

Commissioner Michael Kim

Commissioner Herb Meiberger

Commissioner Gerardo Sandoval

Clare M. Murphy Executive Director

Roll Call:

Retirement Board
Present:
Al Casciato, Vice President
Joseph Driscoll, Commissioner
E. David Ellington, Commissioner
Herb Meiberger, Commissioner

Absent:
Brenda Wright, President
Michael Kim, Commissioner
Gerardo Sandoval, Supervisor

REGULAR CALENDAR

1. **Educational Session by AMB Property on Asian Real Estate Markets**

Presentations on Asian Real Estate and AMB activities in Asia, and Japan Investments were discussed.

AMB principals, Guy F. Jaquier, Executive Vice President, President, Europe & Asia; John Roberts, President AMB Capital Group; Jon B. Willis, Portfolio Manager, Japan Fund I; W. Blake Baird, President AMB Property Corp., provided the presentation.

Board and staff engaged in a question and answer session regarding:

1. Currency
2. Interest Rate
3. Implementation Risk

Commissioner, Joseph Driscoll, inquired about the ability to review the country's specific data analysis prepared by AMB.

2. **Adjournment**

There being no further business, the Board adjourned its meeting at 2:00 PM

Respectfully submitted,

Clare M. Murphy
Executive Director

MINUTES

RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO

30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

MEETING
TUESDAY, NOVEMBER 8, 2005
8:30 am

DOCUMENTS DEPT
DEC 15 2005
SAN FRANCISCO
PUBLIC LIBRARY

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is Dedicated to Securing, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

RETIREMENT BOARD MEMBERS

Commissioner Brenda Wright President

Commissioner Al Casciato Vice President

Commissioner Joseph D. Driscoll

Commissioner E. David Ellington

Commissioner Michael Kim

Commissioner Herb Meiberger

Commissioner Gerardo Sandoval

Clare M. Murphy Executive Director

Pledge of Allegiance

Roll Call:

Al Casciato	8:30
Joe Driscoll	8:30
E David Ellington	8:30
Michael Kim	9:01
Herb Meiberger	Absent
Gerardo Sandoval	9:20
Brenda Wright	Absent

Public Comment
Commissioner Casciato read the procedures for Public Comment.

There was no public comment.

REGULAR CALENDAR

1. Minutes of the October 11, 2005 Board Meeting
Moved by Commissioner Ellington, Seconded by Commissioner Kim to Approve the Minutes of the October 11, 2005 Board Meeting as amended.
Ayes: Casciato, Driscoll, Ellington, Kim
Absent: Meiberger, Sandoval, Wright

2. Minutes of the Special Board Meeting of October 25, 2005
Moved by Commissioner Ellington, Seconded by Commissioner Driscoll to Approve the Minutes of the October 25, 2005 Board Meeting.
Ayes: Casciato, Driscoll, Ellington, Kim
Absent: Meiberger, Sandoval, Wright

3. Old and Ongoing Business List
Clare Murphy, Executive Director, presented an oral and written report on this item.

Moved by Commissioner Ellington, Seconded by Commissioner Kim to Approve the Old and Ongoing Business List.
Ayes: Casciato, Driscoll, Ellington, Kim
Absent: Meiberger, Sandoval, Wright

4. Governance Committee Report
Commissioner Ellington presented an oral report on this item.

Commissioner Ellington reminded the Board members to actively participate in surveys and noted that the Committee had recommended the use of web-based surveys.

This was a discussion only item.

5. **Review and Accept Annual Governance Report 2004**
Commissioner Ellington presented an oral and written report on this item.

Commissioner Ellington summarized the findings of the Annual Governance Report.

The Board engaged in a question and answer session on this item.

Moved by Commissioner Driscoll, Seconded by Commissioner Kim to Accept the Annual Governance Report for 2004.
Ayes: Casciato, Driscoll, Ellington, Kim
Absent: Meiberger, Sandoval, Wright

6. **Review and Adopt Revised Travel Reporting Form**
Moved by Commissioner Kim, Seconded by Commissioner Driscoll to Approve the Revised Travel Reporting Form.
Ayes: Casciato, Driscoll, Ellington, Kim
Absent: Meiberger, Sandoval, Wright

BREAK 10:05 – 10:08

7. **Review of Draft Business Plan for 2006-2007, Including Communications Plan**
Clare Murphy, Executive Director, and Jay Huish, Deputy Director, presented an oral and written report on this item.

Mr. Huish presented a status report on the current fiscal year's initiatives and the proposed initiatives for Fiscal Year 2006-2007.

The Board engaged in a question and answer session.

Commissioner Driscoll requested clarification on the proposed enhancements to the web sites.

Ms. Murphy noted that senior staff has begun to review web sites of other California public plans to identify best practice models. Mr. Huish noted that staff was also reviewing a number of security issues involving access to information through the web site and an enhanced telephone system.

This was a discussion only item, this item will be brought back to the Board for approval at the December 13, 2005 Board meeting.

8. **CONSENT CALENDAR**
All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

8a. Voluntary Retirement Board List No. 5-05

8b. Decision of Hearing Officers

Russell Albano Effective Date: 1/2/04	H-39 Captain, Training Division Fire	Industrial Disability Retirement/Stip Granted
Jill Brophy Effective Date: 1/27/06	Q-62 Lieutenant III Police	Industrial Disability Retirement Granted
Phillip Fitting Effective Date: 8/17/04	H-20 Lieutenant Fire	Industrial Disability Retirement/Stip Denied
Douglas G. Foss Effective Date: 4/23/03	Q-4M Motorcycle Officer Police	Industrial Disability Retirement/Stip Granted
Thomas M. Heffernan Effective Date: 3/1/05	Q-4 Police Officer III Police	Industrial Disability Retirement/Stip Granted
Donald Hensic Effective Date: 7/16/04	Q-52 Sergeant III Police	Industrial Disability Retirement/Stip Denied
James Higginbottom Effective Date: 6/1/03	7457 Sign Worker DPT	Ordinary Disability Retirement Granted
Joan L. House Effective Date: 10/21/05	Q-4 Police Officer III Police	Industrial Disability Retirement Granted
Adele C. Melendez Effective Date: 2/1/05	2604 Food Service Worker DPH	Ordinary Disability Retirement Granted
Michael K. White Effective Date: 12/1/04	7334 Stationary Engineer Muni	Ordinary Disability Retirement/Vesting Granted

8c. **Dismissal of Application for Ordinary Disability Retirement – Ana Canizales**

8d. **Approval of Request for Travel for Al Casciato, Commissioner, to travel to Las Vegas, NV, January 23-25, 2006 for the National Association of Police Organizations – 18th Annual Public Safety Pension & Benefits Seminar.**

8e. **Approval of Request for Travel for E. David Ellington, Commissioner, to travel to Delhi/Bangalore, India, January 19-29, 2006 to attend the World Pension Forum – Pension Passage to India.**

Ms. Ana Canizales, retired employee, requested that item 8c be continued to a future meeting. Dan Maguire, Deputy City Attorney recommended that it be continued to the December meeting.

Moved by Commissioner Driscoll, Seconded by Commissioner Kim to Approve the Consent Calendar with the exception of items 8c and 8e.
Ayes: Casciato, Driscoll, Ellington, Kim, Sandoval,
Absent: Meiberger, Wright

Moved by Commissioner Ellington, Seconded by Commissioner Driscoll to Approve item 8e as amended to include Commissioner Kim.

Ms. Murphy noted that the cost for this travel would be approximately $6,600 per Commissioner. Commissioner Ellington noted that the World Pension Forum had offered to pay part of the expenses, however, Board rules prohibit this.

Ayes: Casciato, Driscoll, Ellington, Kim, Sandoval
Absent: Meiberger, Wright

9. Executive Director's Report
Clare Murphy, Executive Director, presented an oral and written report on this item.

The 2004-2005 annual audit is almost complete, financial data will be presented to the Finance Committee at their November 15, 2005 meeting.

The SFUSD Payroll reporting is current.

Negotiations with all City labor organizations have almost been completed. The next negotiation cycle begins in January 2006.

The Request for Proposal in Progress Blackout Period List was distributed.

A Legislation Update was provided on the new Constitutional Amendment introduced by Assemblyman Richman which would require defined contribution or hybrid pension system.

Safety COLA Payments have been paid to Fire Chiefs and all rank and file retirees. Additional COLAs are due in January 2006.

A Litigation Update was provided; the VPOA decision has been appealed.

The Educational Opportunities List was distributed

Ms. Murphy attended the Institutional Investor awards ceremony in New York, and reported on the awardees. Ms. Murphy also reported that she had the opportunity to meet with seven current and potential investment managers while in New York.

Commissioner Casciato requested that the list of active managers be updated; Mr. Kushner indicated this was currently in process.

Commissioner Sandoval requested an update on the actuarial study for the transfer of District Attorney and Public Defender attorney to CalPERS. Ms. Murphy noted that the payroll data had only recently been received from the Department of Human Resources and that this would be calendared as an action item at the December 13, 2005 meeting.

Commissioner Sandoval left the meeting at 10:00.

INVESTMENT CALENDAR

10. Investment Committee Report
Commissioner Driscoll presented an oral report on this item.

This was a discussion only item.

11. **Review and Approval of Investment Guidelines for Bivium Capital Partners, Manager of Emerging Small Cap Managers**

David Kushner, Deputy Director for Investments, William Coaker, Senior Investment Officer, and Leslie Kautz, Angeles Investment Advisors, presented a written and oral report on this item.

Mr. Coaker summarized the provisions of the proposed guidelines.

The Board engaged in a question and answer session with Staff and Consultant.

Commissioner Driscoll recommended that the proposed guidelines prohibit investment in Developed Non-US stocks, Emerging Markets Exposure and ADRs at this point because of potential risk, preserving the right of the Board to amend the guidelines in the future to include ADRs. Staff and Consultant concurred with the recommendation to prohibit investment in Developed Non-US stocks, Emerging Markets Exposure, and recommended that ADRs be permitted but closely monitored by Staff with reports back to the Board. Commissioner Driscoll and Commissioner Kim agreed with the Staff recommendation and requested that the Guidelines be amended to reflect the recommendation.

Commissioner Ellington noted that Board's action at their October meeting authorized the approval of Bivium as a manager of emerging domestic small cap managers with SFERS.

Moved by Commissioner Driscoll, Seconded by Commissioner Kim to Approve the Investment Guidelines for Bivium Capital Partners, Manager of Emerging Domestic Small Cap Managers as amended.
Ayes: Casciato, Driscoll, Ellington, Kim
Absent: Meiberger, Sandoval, Wright

12. **Approval of Recommendation for Semi-Finalists for Emerging Markets Equity Request For Proposal**

David Kushner, Deputy Director for Investments, William Coaker, Senior Investment Officer, and Leslie Kautz, Angeles Investment Advisors, presented a written and oral report on this item.

Mr. Coaker summarized the history and provisions of the proposed Request for Proposals.

The Board engaged in a question and answer session with Staff and Consultant.

Commissioner Sandoval present at 9:20 AM.

Commissioner Driscoll noted that data on the ten bidders not recommended for inclusion in the RFP had not been presented in Staff and Consultant reports.

Staff and Consultant agreed to provide the data on other bidders and noted that all Commissioners could review the complete set of bids in any RFP.

Commissioner Kim and Commissioner Driscoll asked for clarification on the time series analysis utilized by Staff and Consultant. Mr. Kushner and Mr. Coaker noted that the revised scoring methodology is an enhancement to the manager search process and will be utilized in future searches.

Moved by Commissioner Ellington, Seconded by Commissioner Kim to Approve Semi-Finalists for Emerging Markets Equity Request for Proposal.
Ayes: Casciato, Driscoll, Ellington, Kim, Sandoval
Absent: Meiberger, Wright

13. **Review and Approval of Strategic Investment Plan for Alternative Investment Program**
David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, Ken Wisdom and Brian Murphy, Portfolio Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session with Staff and Consultant.

Commissioner Sandoval inquired as to why co-investments had not been recommended. Mr. Kushner and Mr. Murphy responded that the difficulty of monitoring and due diligence recommended against co-investment at this point, although Staff intends to begin to explore what expertise would be required for this type of investment. Mr. Murphy noted that Portfolio Advisors does not currently have any public clients who invest in co-investments.

Moved by Commissioner Ellington, Seconded by Commissioner Driscoll to Approve the Strategic Investment Plan for Alternative Investment Program.
Ayes: Casciato, Driscoll, Ellington, Kim, Sandoval
Absent: Meiberger, Wright

14. **Deputy Director for Investments Report**

David Kushner, Deputy Director for Investments, presented an oral and written report on this item.

Mr. Kushner distributed a recent article from the Wall Street Journal regarding capital flow and risk taking.

As of October 31, 2005, the fund was valued at approximately $13.3 billion dollars. Mr. Kushner provided the Board with reports detailing movement of funds between sub-asset classes for the month ended October 31, 2005, as well as current asset and sub-asset class allocation information.

Mr. Kushner reported that all broad and sub-asset classes are within their allowed ranges.

The following Proxies were voted on by Staff between meetings:
Brooks Automation, Inc. acquisition of Helix Technologies (voted FOR)
Bank of America acquisition of MBNA Corp (voted FOR)

This was a discussion only item.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

15. **Deferred Compensation Manager Report**
Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

Ms. Cypert noted that the Deferred Compensation Investment Review Committee would be meeting on November 15, 2005.

This was a discussion only item.

RETIREMENT BOARD MEMBER'S REPORT

16. Board Member's Report
Commissioner Casciato presented an oral report on his attendance at the CALAPRS Trustees Roundtable, October 14, 2005, Oakland, CA

17. Adjournment
There being no further business, the Board adjourned its meeting at 10:55 AM

Respectfully submitted,

Clare M. Murphy
Executive Director

MINUTES

RETIREMENT BOARD
CITY AND COUNTY OF SAN FRANCISCO

30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

TUESDAY, DECEMBER 13, 2005
8:30 am

DOCUMENTS DEPT
JAN 12 2006
SAN FRANCISCO
PUBLIC LIBRARY

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is Dedicated to Securing, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

RETIREMENT BOARD MEMBERS

Commissioner Brenda Wright President

Commissioner Al Casciato Vice President

Commissioner Joseph D. Driscoll

Commissioner E. David Ellington

Commissioner Michael Kim

Commissioner Herb Meiberger

Commissioner Gerardo Sandoval

Clare M. Murphy Executive Director

Roll Call:

Present:

Al Casciato, Vice President	8:30
Joseph Driscoll, Commissioner	8:30
E. David Ellington, Commissioner	Absent
Michael Kim, Commissioner	8:30
Herb Meiberger, Commissioner	8:30
Gerardo Sandoval, Supervisor	8:45
Brenda Wright, President	8:30

Pledge of Allegiance

Public Comment

President Wright reviewed the Public Comment procedures for the attendees.

No public comment was offered.

1. **Minutes of the November 8, 2005 Board Meeting**
Moved by Commissioner Meiberger, Seconded by Commissioner Driscoll to approve the minutes of the November 8, 2005 Board meeting.
Action: Approved (as amended) by the following vote:
Ayes: Casciato, Driscoll, Kim, Meiberger, Sandoval, Wright
Absent: Ellington

2. **Old and Ongoing Business List**
Moved by Commissioner Meiberger, Seconded by Commissioner Driscoll to approve the minutes of the November 8, 2005 Board meeting.
Action: Approved (as amended) by the following vote:
Ayes: Casciato, Driscoll, Kim, Meiberger, Sandoval, Wright
Absent: Ellington

3. **Review of Actuarial Cost Study of Proposed District Attorneys/Public Defender Attorneys/Public Defender Investigators Transfer to CalPERS**
Clare Murphy, Executive Director, Tom Mathews and Leslie Finertie, Towers Perrine, presented an oral and written report on this item.

Ms. Murphy noted that the proposed transfer would require an employee election among the impacted employees, and that this had not yet occurred. Ms. Murphy reviewed the procedures that had occurred in prior transfers of members to CalPERS.

In response to a question from Commissioner Casciato, Ms. Murphy noted that if the employee group elected to join CalPERS, individual members would still be able to determine if they wish to have their prior service transferred to CalPERS.

Commissioner Sandoval present at 8:45

The Board engaged in a question and answer session on this item.

This was an information only item.

4. **Review and Approval of Supplemental COLA Report**
Clare Murphy, Executive Director, Tom Mathews and Leslie Finertie, Towers Perrin, presented an oral and written report on this item.

Ms. Murphy noted that the San Francisco Charter requires the Board to review the costs of a Supplemental COLA and determine that Trust Fund earnings exceed those required by Charter Section A8.526-1, and that the cost of the supplemental adjustments can be funded with available excess earnings.

The Board engaged in a question and answer session on this item.

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to approve the Supplemental COLA Report and to direct payment of the Supplemental COLA retroactive to July 1, 2005.
Ayes: Casciato, Driscoll, Kim, Meiberger, Sandoval, Wright
Absent: Ellington

5. **Actuarial Audit Recommendation Implementation Plan**
Clare Murphy, Executive Director, Tom Mathews and Leslie Finertie, Towers Perrin, presented an oral and written report on this item.

Ms. Finertie reviewed the actuarial audit recommendations that had been previously presented to the Board at the October Board meeting.

The Board engaged in a question and answer session on this item.

Commissioner Meiberger asked for clarification on the treatment of the disability decrement. Ms. Finertie noted that the issue of the prior under-estimate had been addressed in the recommendations.

Moved by Commissioner Casciato, Seconded by Commissioner Meiberger to approve the Actuarial Audit Implementation Plan.
Ayes: Casciato, Driscoll, Kim, Meiberger, Sandoval, Wright
Absent: Ellington

6. **Review of Economic Experience Analysis and Adoption of Economic Assumptions**
Clare Murphy, Executive Director, Tom Mathews and Leslie Finertie, Towers Perrin, presented an oral and written report on this item.

Ms. Murphy noted that the Board is requested to adopt the Economic Experience Analysis, Economic Assumptions, select the Actuarial Value of Assets Transition Methodology and confirm the current Amortization Methodology for Net Unfunded Actuarial Accrued Liability. Based on the Board's action, a subsequent report in Policy format will be presented at the Board's January 2006 meeting regarding the Asset Smoothing Methodology and Amortization Methodology.

The Board engaged in a question and answer session on this item.

Commissioner Meiberger requested a copy of the Towers Perrin Capital Market Assumptions utilized in the average expected return simulations; Ms. Murphy and Ms. Finertie agreed to provide the data prior to the next meeting.

Commissioner Driscoll requested clarification of the proposed method for counting appreciation in asset smoothing, particularly in Real Estate and Alternative Investments. Ms. Finertie responded that it would be based on actual reported in the audited financial statements.

Commissioner Casciato inquired if there had been any consideration on not utilizing asset smoothing and the impact on the Plan and participants, Ms. Murphy and Ms. Finertie noted in relying solely on market value there would be an impact on the Supplemental COLA determination and on the volatility of employer contribution rates.

Ms. Finertie reviewed the current Actuarial Methodology for Unfunded Actuarial Accrued Liabilities and compared the methodology to a number of alternative methodologies.

Ms. Finertie recommended that the Board adopt economic assumptions including maintaining the current 3.5% price inflation, 4.5% wage inflation, and 8.0% investment return.

Moved by Commissioner Meiberger, Seconded by Commissioner Driscoll to adopt the Economic Experience Analysis and Economic Assumptions.
Ayes: Casciato, Driscoll, Kim, Meiberger, Sandoval, Wright
Absent: Ellington

Ms. Murphy and Ms. Finertie summarized the impact of the two alternative proposed Actuarial Value of Assets Transition Methodologies (starting as of July 1, 2000 versus July 1, 2004). The July 1, 2000 alternative could have the impact of reducing the employer contribution by approximately one percent of payroll, although it would also raise the target for approving a Supplemental COLA. The July 1, 2004 alternative is a more conservative approach.

Moved by Commissioner Sandoval, Seconded by Commissioner Meiberger to adopt recommended Actuarial Value of Assets Transition Methodology starting as of July 1, 2004.
Ayes: Casciato, Driscoll, Kim, Meiberger, Sandoval, Wright
Absent: Ellington

Commissioner Sandoval left the meeting at 10:20.

Moved by Commissioner Casciato, Seconded by Commissioner Driscoll to confirm the current Amortization Methodology for Net Unfunded Actuarial Accrued Liability.
Ayes: Casciato, Driscoll, Kim, Meiberger, Wright
Absent: Ellington, Sandoval

7. **Finance Committee Report**
Commissioner Meiberger, Chair of the Finance Committee, presented an oral report on the Committee's November 15, 2005 meeting.

This was an information only item.

Break 10:25 – 10:40

Commissioner Sandoval returned to the meeting at 10:40

8. **Initial Review of Annual Report**
Clare Murphy, Executive Director, and Jay Huish, Deputy Director, presented a written report on this item.

Board members agreed to submit their comments in writing prior to the next meeting.

This was an information only item.

9. Final Review and Approval of 2006 Business Plan

Clare Murphy, Executive Director, and Jay Huish, Deputy Director, presented a written report on this item.

The Board engaged in a question and answer session on this item.

Commissioner Driscoll requested clarification on the timeline and staffing requirements for the Investment Risk Management Project. David Kushner, Deputy Director for Investments, noted that recruitment for the position to staff this activity was currently in process. William Coaker, Senior Investment Officer further noted that staff has begun a preliminary risk analysis in certain sectors.

Commissioner Wright requested an update on this item as part of the budget process.

Commissioner Meiberger supported the proposed enhancement of the SFERS website. Mr. Huish noted that a system for requesting written estimates will be initiated in January 2006, and that the estimates could be requested through the website.

Moved by Commissioner Meiberger, Seconded by Commissioner Driscoll to approve the 2006 Business Plan.
Ayes: Casciato, Driscoll, Kim, Meiberger, Sandoval, Wright
Absent: Ellington

10. Approval of Resolution of Commendation for Timothy Benetti

Clare Murphy, Executive Director, and Jay Huish, Deputy Director, presented an oral and written report on this item.

Moved by Commissioner Sandoval, Seconded by Commissioner Meiberger to approve the Commendation for Timothy Benetti.
Ayes: Casciato, Driscoll, Kim, Meiberger, Sandoval, Wright
Absent: Ellington

11. Adjustment of Retirement Allowance – Joan L. House (Requires Ballot Vote)

Approved by ballot vote.
Approved by the following vote:
Ayes: Casciato, Driscoll, Kim, Meiberger, Sandoval, Wright
Absent: Ellington

12. Accept Hearing Officer Recommendation to Deny Request to Adjust Effective Date of Retirement Allowance from December 1, 2003 to July 1, 2003 (Dionne McCullar)

Caryn Bortnick, Deputy City Attorney, presented an oral and written report on this item.

Moved by Commissioner Sandoval, Seconded by Commissioner Meiberger to accept the Hearing Officer's decision.
Ayes: Casciato, Driscoll, Kim, Meiberger, Sandoval, Wright
Absent: Ellington

Commissioner Sandoval left at 10:59

13. CONSENT CALENDAR

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

13a. Voluntary Retirement Board List No. 6-05

13b. Decision of Hearing Officers

John Bain Effective Date: 7/2/05	Q-4 Police Officer III Police	Industrial Disability Retirement/Stip Granted
Rebecca Benoit Effective Date: 5/15/04	8310 Sheriff's Lieutenant Sheriff	PERS Granted
Roger D. Bouyea, Jr. Effective Date: 7/6/05	H-30 (Acting) Captain Fire	Industrial Disability Retirement/Stip Granted
Mely Gleason Effective Date: 10/1/05	1426 Senior Clerk Typist DPH	Ordinary Disability Retirement/Vesting Granted
Terry J. Hicks Effective Date: 12/31/04	H-2 Firefighter Fire	Industrial Disability Retirement/Stip Granted
Lawrence Ho Effective Date: 1/5/03	H-3 Firefighter Paramedic Fire	Industrial Disability Retirement Granted
Luther G. Johnson Effective Date: 7/14/04	H-2 Firefighter Fire	Industrial Disability Retirement/Stip Granted
Marjorie A. Johnson Effective Date: 2/1/05	3284 Recreation Director Rec. & Park	Ordinary Disability Retirement/Vesting Granted
Russell C. Lease Effective Date: 2/8/04	H-2 Firefighter Fire	Industrial Disability Retirement/Stip Granted
Morgan Loo Effective Date: 12/1/04	7382 Asst. Auto Mechanic Sup. Muni	Ordinary Disability Retirement/Stip Granted
James McCaffrey Effective Date: 4/1/05	H-33 EMS Captain Fire	Industrial Disability Retirement/Stip Granted
Bruce A. Navarret Effective Date: 4/8/05	H-2 Firefighter Fire	Industrial Disability Retirement/Stip Granted
Michael Rambo (Deceased) Effective Date: 5/21/01	H-3 Firefighter Paramedic Fire	Death As a Result of Duty Denied
Debra M. Robinson Effective Date: 4/1/05	1426 Senior Clerk Typist DHS	Ordinary Disability Retirement/Vesting Granted

13c. Petition for Rehearing

Michael T. Dempsey Effective Date: 11/8/03	Q-52 Sergeant III Police	Industrial Disability Retirement/Stip Denied

13d. Dismissal of Application for Industrial Disability Retirement
Richard Ames

13e. Approval of Request for Travel for Dan Maguire, Deputy City Attorney, to travel to Washington, DC on February 7-10, 2006 for the National Association of Public Pension Attorneys.

13f. Approval of Request for Travel for Herb Meiberger, Commissioner, and other Board Members to attend the Public Pension Fund Fiduciary Symposium on January 19-20, 2006 in San Francisco, CA.

Moved by Commissioner Meiberger, Seconded by Commissioner Driscoll to adopt the Consent Calendar.
Ayes: Casciato, Driscoll, Kim, Meiberger, Wright
Absent: Ellington, Sandoval

Dan Maguire, Deputy City Attorney, introduced Ms. Connie Menefee, a new member of the City Attorney team for disability retirements.

Commissioner Kim reported that he would not be able to attend a World Pension Forum event in India that had previously been approved by the Board.

14. Executive Director's Report

The San Francisco Unified School District has submitted Payroll reports.

Negotiations for the next round of Collective Bargaining Agreements are scheduled to start in January 2006.

The Request for Proposal in Progress Blackout Period List was distributed.

There was no new litigation or updates on old litigation for reporting to the Board.

In regard to a legislative update, the Richman State Constitutional Amendment is being scheduled for hearings in committee by the legislature. There also may be a pension reform legislative proposal that would only impact employees of the State of California and plans governed by State law.

Police and Fire retiree COLA adjustment based on wage adjustments effective in December 2005 will be paid in January 2006; Supplemental COLAs retroactive to July 1, 2005 will be in the February check.

The Educational Opportunities List was distributed.

The Forward Calendar was distributed.

Two individuals received benefits paid from the Charter provided excess benefits plan in order to ensure SFERS did not pay in excess of that allowed by IRS limits; this will not impact the amount that they receive but will impact the funding source utilized.

The January Board packet will be distributed on Thursday, January 5, 2006 due to the holiday schedule.

The MAP survey has been distributed to the Board by e-mail and should be completed and returned within 15 days.

The Mayor's Fiscal Advisory Committee recognized Jay Huish, Deputy Director, for his efforts on the implementation of Proposition F (Early Retirement).

Ms. Murphy extended Holiday Greetings to the Board, Staff and members.

This was an information only item.

INVESTMENT CALENDAR

15. **Report on Performance of Alternative Investment Program for the Period Ended 06/30/05**
David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, Ken Wisdom and Brian Murphy, Portfolio Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session on this item.

Commissioner Wright noted the need to address the issue of emerging managers in future reports. Mr. Wisdom agreed to provide additional information in the semi-annual reports.

This was an information only item.

16. **Review and Approval of 2006 Annual Investment Plan for Alternative Investment Program**
David Kushner, Deputy Director for Investments, Glen Schwartz, Senior Investment Officer, Ken Wisdom and Brian Murphy, Portfolio Advisors, presented an oral and written report on this item.

Mr. Wisdom summarized the goals of the program, including total return to the Fund, diversification of the Fund by investment type and manager, and reduction of total Fund volatility.

The Board engaged in a question and answer session on this item.

Mr. Kushner and Mr. Wisdom reviewed Next Generation/Emerging Managers in the Alternative Investment Program.

Commissioner Kim inquired regarding the venture debt class. Mr. Murphy responded that they were considered as part of the Special Situations category.

Moved by Commissioner Driscoll, Seconded by Commissioner Kim to approve the 2006 Annual Investment Program.
Ayes: Casciato, Driscoll, Kim, Meiberger, Wright
Absent: Ellington, Sandoval

17. **Report on the Performance of the Retirement Fund for the Quarter Ending 09/30/05**
David Kushner, Deputy Director for Investments and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session on this item.

Commissioner Meiberger requested additional data on annualized return for ETF-LC Core, Mr. Kushner agreed to provide the data prior to the next meeting.

Commissioner Driscoll requested additional data on Oechsle and Fisher Francis.

This was a discussion only item.

18. Report on Manager Monitoring List – Activities
David Kushner, Deputy Director for Investments presented an oral and written report on this item.

The Board engaged in a question and answer session on this item.

This was a discussion only item.

19. Report on Brokerage Commissions Generated by the Retirement Fund During the Quarter Ending 09/30/05
David Kushner, Deputy Director for Investments and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

The Board engaged in a question and answer session on this item.

This was a discussion only item.

20. Approval of Recommendation to Appoint Emerging Markets Equity Manager(s)
David Kushner, Deputy Director for Investments, William Coaker, Senior Investment Officer, and Leslie Kautz, Angeles Investment Advisors, presented an oral and written report on this item.

Mr. Coaker reviewed the search and evaluation criteria utilized by Staff and Consultant.

The Board engaged in a question and answer session on this item.

Moved by Commissioner Driscoll, Seconded by Commissioner Casciato to approve Staff recommendation to terminate Capital Guardian and retain Ashmore, Mondrian and Wellington as Emerging Markets Equity Managers with allocations as recommended.
Ayes: Casciato, Driscoll, Kim, Meiberger, Wright
Absent: Ellington, Sandoval

Commissioner Kim left the meeting at 12:30

21. Deputy Director for Investment's Report
David Kushner, Deputy Director for Investments, presented an oral and written report.

As of November 30, 2005, the Fund was valued at approximately $13.6 billion dollars. The Board was provided reports detailing movement of funds between sub-asset classes for the month ended November 30, 2005, as well as current asset and sub-asset class allocation information; all broad and sub-asset classes are within their allowed ranges.

There were no proxies voted between meetings.

Bridgewater Associates, a manager of currency and Global Fixed Income for the Retirement System, has announced it will stop taking new assets for all strategies except those involving pure alpha. Bridgewater indicated it will continue to manage and service existing clients in other strategies for at least one year.

Additionally, the Ohio Bureau of Workers' Comp has terminated all its external managers, including Prima Capital Advisors, a manager of CMBS and whole loan products for the Retirement System. When this termination becomes effective (date unknown), SFERS will represent approximately 25% of Prima's

assets under management. Staff does not expect this termination to impact Prima's ability to continue to manage assets for SFERS, and staff will closely monitor the manager for any changes.

Ms. Wen Ling Chin, Security Analyst, resigned from the Retirement System. Applicants who responded to the current recruitment for a quantitative analyst will be reviewed for both positions.

SAN FRANCISCO DEFERRED COMPENSATION PLAN CALENDAR

22. **Deferred Compensation Plan Investment Review Committee Report**
Clare Murphy, Executive Director, presented an oral report on behalf of Commissioner Sandoval, Chair of the Committee, on the November 15, 2005 Deferred Compensation Plan Investment Review Committee.

This was an information only item.

23. **Approve Amendments to the 457(b) Deferred Compensation Plan Document**
Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

Ms. Cypert noted that the Plan Document has been updated to conform to proposed IRS regulations and legislative changes relating to post severance compensation and to include the modified definition of dependent.

The Board engaged in a question and answer session on this item.

Moved by Commissioner Meiberger, Seconded by Commissioner Driscoll to approve Amendments to the 457(b) Deferred Compensation Plan Document.
Ayes: Casciato, Driscoll, Meiberger, Wright
Absent: Ellington, Kim, Sandoval

24. **Review and Approval of the Unforeseeable Emergency Withdrawal Policy**
Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

Ms. Cypert noted that the Unforeseeable Emergency Withdrawal Policy has been updated to conform to proposed IRS regulations and legislative changes relating to post severance compensation and to include the modified definition of dependent.

The Board engaged in a question and answer session on this item.

Moved by Commissioner Meiberger, Seconded by Commissioner Driscoll to approve Amendments to the 457(b) Deferred Compensation Unforeseeable Emergency Withdrawal Policy.
Ayes: Casciato, Driscoll, Meiberger, Wright
Absent: Ellington, Kim, Sandoval

25. **Approval of the Permanent Delegation of Authority to Staff to Approve Unforeseeable Emergency Withdrawal from the 457 (b) Deferred Compensation Plan**
Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

The Board engaged in a question and answer session on this item.

Commissioner Casciato clarified that the delegation of authority could be revisited in the future if the Board wished.

Moved by Commissioner Casciato, Seconded by Commissioner Driscoll to approve Delegation of Authority to Staff to Approve Unforeseeable Emergency Withdrawal from the 457(b) Deferred Compensation Plan.
Ayes: Casciato, Driscoll, Meiberger, Wright
Absent: Ellington, Kim, Sandoval

26. **Deferred Compensation Manager Report**
Carol Cypert, Deferred Compensation Manager, presented an oral and written report on this item.

This was an information only item.

RETIREMENT BOARD MEMBER'S REPORT

27. **Board Member's Report**
Commissioner Wright reported on her attendance at the Plan Sponsor Emerging Manager Alternative Investment Conference, October 18-19, 2005, Carlsbad, CA.

Commissioner Wright reported on her attendance at the Plan Sponsor Emerging Manager Conference, November 19-22, 2005, Scottsdale, AZ.

Commissioner Meiberger reported on his attendance at the Pacific Pension Institute Conference, October 31- November 11, 2005, China.

Commissioner Casciato reported on his attendance at the International Foundation of Employee Benefit Plans Conference, November 11-17, 2005, Honolulu, HI.

This was an information only item.

28. **Pursuant to the Ralph M. Brown Act, Government Code Section 54956.9 and the Sunshine Act, San Francisco Administrative Code Section 67.10, the Retirement Board will meet in closed session.**
Continued to the January 10, 2006 Board meeting.

29. **Adjournment**
There being no further business, the Board adjourned its meeting at 1:05 PM in memory of Peter Drucker, who died on November 11, 2005. Mr. Drucker's pioneering work helped to transform corporate management in America and significantly influenced the growth of the investment community.

Respectfully submitted,

Clare M. Murphy
Executive Director

30 236

HOUCHEN
BINDERY LTD
UTICA, OMAHA NE
2005